

*Ministry of
Forests*

**2004/05
Annual Service Plan Report**



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* Refer to note on page 3.

Table of Contents

Message from the Ministers and Accountability Statements	5
Highlights of the Year	9
Ministry Role and Services	11
Report on Performance	23
Report on Resources	70
Appendix 1: Legislation	76
Appendix 2: Forest Investment Account	79
Appendix 3: Glossary	91

PLEASE NOTE: On June 16, 2005, the government ministries were re-organized to reflect the new cabinet responsibilities. Many of the website addresses and links in this printed report may have changed following the government re-organization.

- A list of the new ministries is available on the government website at <http://www.gov.bc.ca> — follow the links to Ministries and Organizations.
- An index of all 2004/05 Annual Service Plan Reports, with up-to-date website links, is available online at <http://www.bcbudget.gov.bc.ca/annualreports/>.





Message from the Minister and Accountability Statement

During 2004/05 the Ministry of Forests began to see the benefits of the Forestry Revitalization Plan.

The Ministry has made significant progress in meeting our service plan goals to ensure our role as stewards for the province's forest and range resources. We have made changes in the way we manage the forests but have remained clear in our goals.

My colleague and I, the Minister of State for Forestry Operations, have made a special effort to work with locally affected communities impacted by the devastating Mountain Pine Beetle epidemic. The work has gone forward as a direct result of the hard work and dedication of the professional Forest Service staff.

I am also very proud of the agreements we have signed over the past three years with 93 First Nations from around the province that provide First Nations' communities with real economic opportunity. These agreements provide access to timber and revenue sharing and are a first step as each of the Bands leads its people to a greater presence in the forest economy.

As the *Forest and Range Practices Act* is being brought into effect, we are upholding world-class sustainable forest practices on the ground. Opportunities for more British Columbians are opening up all over the Province that take advantage of our natural resources and safeguard our environment. These opportunities are based on sound leadership and sound forest management. The ministry has made changes that will be felt by all British Columbians who will see increased job prospects, cleaner water, land and air, and a much stronger economy.

The 2004/05 Ministry of Forests Annual Service Plan Report compares the actual results to the expected results identified in the ministry's 2004/05 Service Plan. I am accountable for those results as reported.

A handwritten signature in dark ink, appearing to read 'Michael de Jong', written in a cursive style.

Honourable Michael de Jong
Minister of Forests

June 14, 2005





Message from the Minister of State and Accountability Statement

During 2004/05, we started to realize the benefits of policies that re-emphasize forestry as the number one economic driver in British Columbia. Although we have made changes over the last several years in the way we manage the forests, we have remained clear in our goals.

I am the Minister of State for Forestry Operations and, under the *Balanced Budget and Ministerial Accountability Act*, I am accountable for the following results in 2004/05:

- Develop a strategy to increase growth of the value added sector. This was presented to the Government Caucus Committee on Economy and Government Operations on March 7, 2005 by the Deputy Minister of Forests on my behalf;
- Develop a strategy to manage the spread of mountain pine beetle and increase utilization of beetle damaged timber. I presented an updated action plan to open Cabinet on April 2, 2004 and a provincial Mountain Pine Beetle action plan (2005 – 2010) was presented to the Cabinet Committee on Environmental Resource Development on March 14, 2005 by the Minister of Forests on my behalf; and
- Develop a strategy to maximize economic activity through the BC Timber Sales program. This was presented to the Government Caucus Committee on Economy and Government Operations on March 7, 2005 by the Deputy Minister of Forests on my behalf.

Along with development of these strategies I was also asked to increase community participation in forest resource decision-making. Since August 2004, the Ministry of Forests has provided or announced the intention to provide community forest opportunities for 25 municipalities, regional districts, First Nations and community forestry organizations to help ensure local management and development of local forest resources.

New opportunities, a new spirit of working with local decision-makers, and new ventures such as community forests and small-scale salvage agreements point to this government's willingness to manage the resource in a new way; a way that will capitalize on the competitive advantage that British Columbia offers based upon its number one economic driver, forestry.

A handwritten signature in dark ink, appearing to read 'Roger Harris'.

Honourable Roger Harris
Minister of State for Forestry Operations

June 8, 2005



Highlights of the Year

This section summarizes the significant events and performance achievements in the ministry during 2004/05. The events and achievements categorized below by ministry goal indicate how well the ministry has achieved key aspects of its mandate.

Goal 1: Sustainable Forest Resources

- With projected increasing dry summer conditions, wildfires are continuing to be a significant threat to British Columbia's Interior communities. As part of ongoing efforts to improve fire management policies, streamlined regulation and improved accountability by forest users have been confirmed under the new *Wildfire Act* and regulation, which were brought into effect March 31, 2005. In addition to the new Act, the ministry has made substantial progress on fulfilling key recommendations from both the B.C. Auditor General's 2001 report and the *Firestorm 2003 Provincial Review*.
- Since 1999, warmer winters and the abundance of aging pine forests have led to a mountain pine beetle infestation unparalleled in recorded North American history. As of fall 2004, the area affected was over 7.0 million hectares and the current model projects that 80 per cent of British Columbia's pine forest will be killed by 2013. In 2004/05 the ministry worked together with forest industry, affected communities and other government agencies on a renewed Mountain Pine Beetle Action Plan for 2005 to 2010. Considerable resources and efforts are being mobilized to address impacts on forests and interior communities.
- Government created a new Forests for Tomorrow program and is allocating \$86 million over the next three years to reforestation and managing key areas impacted by wildfire and mountain pine beetle.
- The first State of British Columbia's Forests Report was released in March 2005.
- Range agreement holders continued to be challenged by pressure on range resources due to drought and wildlife grazing, and the challenge from BSE (bovine spongiform encephalopathy), or mad cow disease.
- Targets were mostly achieved, achieved or exceeded on 15 out of the 16 performance measures under this goal.

Goal 2: Sustainable Forest Benefits

- Despite U.S. imposed countervailing and anti-dumping duties on Canadian softwood lumber, B.C.'s share of the U.S. softwood lumber market remained steady. B.C. and Canada continue to pursue settlement of the softwood lumber dispute through negotiation and litigation.
- The area of forestland certified by major certification processes in British Columbia continues to grow at a substantial rate, helping the forest industry to meet the interests of customers and demonstrating the provinces' commitment to sustainable forest management.

- Implementing the Forestry Revitalization Plan continued to be a focus.
- The Small Scale Salvage Program was implemented and achieved its targets.
- In 2004/05, government provided community forest opportunities for 25 communities across the Province. Over 264 462 hectares are currently being managed as community forests under 11 licences.
- The Forest Practices Board carried out a special investigation on MOF bridges and "... found high levels of compliance with bridge maintenance standards, even during periods of organizational change within the ministry."
- BC Timber Sales made significant progress on implementing strategies in support of its objectives.
- Twenty-five Forest and Range Agreements providing revenue sharing and access to timber tenure were signed with First Nations, bringing the cumulative total to 47 agreements signed with 57 First Nations groups.
- All 11 performance measure targets under this goal were mostly achieved, achieved, or exceeded in 2004/05.

Goal 3: Effective and Responsive Forest Manager

- The ministry launched a Road Ahead revitalization strategy with the overall goal of building a higher performing organization. Executive and Senior managers have led the implementation of the strategy's six foundational goals including a focus on our vision, mission and mandate, leadership and corporate learning.
- Four significant client services were implemented electronically via an Internet link, benefiting both the ministry and its clients.
- Three out of four performance measure targets under this goal were mostly achieved, achieved, or exceeded in 2004/05.

Ministry Role and Services

Vision, Mission and Values

Vision

Diverse and sustainable forest and range values for B.C.

Mission

To protect, manage and conserve forest and range values through a high performing organization.

People

Our people are valued for their contribution and dedication to the Forest Service, its mission and vision.

Our Values

Integrity

- We are open, honest and fair.

Accountable

- We are responsible for our own decisions and actions.

Innovative

- We encourage and support each other to create new and better ways to do our business.

Respectful

- We show respect by listening to and recognizing a diversity of values and interests.
- We work with each other in a spirit of trust, mutual respect and support.

Ministry Overview, Core Business Areas and Structure

Ministry Overview

Since its establishment in 1912 as the Forests Branch, the Ministry of Forests (also known as the Forest Service or MOF) has continued to protect the public's interest and provide leadership in the protection, management and use of the province's forest and rangelands. The Forest Service is the main agency responsible for the stewardship of 47 million hectares of provincial forestland. In addition, the ministry provides fire protection services for 84 million hectares. Managing these provincial forests presents a unique and complex set of challenges. More than 90 per cent of British Columbia's forestlands are publicly owned, which means that the provincial government, on behalf of the public, plays a much more prominent role in the forest sector than its counterparts in other forestry jurisdictions.

The ministry pursues its goals for sustainable forest resources and benefits in a consultative manner with the public, industry, and other Crown agencies, while recognizing the unique interests of aboriginal people. In this way, the ministry works to earn the public's trust as our staff make the day-to-day decisions which ensure that all British Columbians can look forward to healthy forests and a strong forest economy now and in the future.

The key legislation for which the Ministry of Forests is responsible is summarized in Appendix 1.

Core Business Area 1: Forest Protection

Focuses on protecting lives, forest resources and investments in the forest land-base from wildfire. Also included is the detection and management of insect pest outbreaks, such as the Mountain Pine Beetle, on areas under the responsibility of the province as well as outbreaks of local significance.

Core Business Area 2: Stewardship of Forest Resources

Focuses on ensuring sound environmental stewardship of forest and range resources through the regulation of forest and range practices, timber supply planning and allowable annual cut (AAC) determination, range management, control of invasive plant species, recreation management, applied research, forest gene resource management and tree improvement.

Core Business Area 3: Compliance and Enforcement

Focuses on upholding B.C.'s laws, within the Ministry of Forests' jurisdiction, that protect the province's forest and range resources. Primary activities include enforcing environmental standards and revenue policies and combating "forest crimes" (theft, arson).

Core Business Area 4: Pricing and Selling Timber

Focuses on promoting a strong forest economy and a competitive forest sector through a fair pricing system, effective allocation and administration of timber harvesting rights,

and a safe and cost effective road infrastructure to access timber. Activities include timber tenure administration, timber pricing, market access activities, maintaining a forest road infrastructure and First Nation's consultation.

Core Business Area 5: BC Timber Sales

Focuses on providing British Columbians with benefits from the commercial use of public forests. BC Timber Sales markets Crown timber in an open and competitive market while optimizing net revenue to the Province. Primary functions include developing Crown timber for auction, creating and maintaining a BC Timber Sales road and bridge infrastructure, and achievement of reforestation obligations.

Core Business Area 6: Executive and Support Services

Focuses on executive and senior management leadership, corporate governance and service delivery activities in support of all ministry functions. Activities are structured within key frameworks for policy and legislation development, performance management, and internal audit and evaluation. Support service activities include finance and administration, human resources, central infrastructure management, Freedom of Information, records management, continuous improvement and the application of information technology.

Core Business Area 7: Forest Investment

Focuses on providing funding to support sustainable forest management practices, improve the public forest asset base, and promote greater returns from the utilization of public timber. Forest investments are delivered through seven programs administered by government or through third-party administrators. Forest Investment Account programs provide funding to a variety of recipients including tenure holders, forest sector associations, researchers, manufacturers, and government agencies.

Ministry Organization Structure



The Ministry of Forests has a decentralized structure (see Figure above), with the majority of staff in field offices in close proximity to the forests they protect and manage and the clients and communities they serve. The Operations division of the ministry consists of three forest region offices with 29 forest district offices, 4 satellite offices; and 6 fire centers, 35 zone offices, 59 fire attack bases and 18 air tanker bases. Staff in Operations division are involved in all core business areas except BC Timber Sales. BC Timber Sales includes 12 BC Timber Sales offices with 19 field team locations.

The Victoria headquarters staff are organized as follows: Corporate Policy and Governance division, Operations division (including Fire Protection), Forest Stewardship division, Tenure and Revenue division, BC Timber Sales, and Communications.

Prior to 2004/05, BC Timber Sales was part of Operations Division. BC Timber Sales was established in 2003/04 as a result of government direction to put the program on a commercial footing. In 2004/05, BC Timber Sales began reporting to a stand-alone Assistant Deputy Minister. This direction was intended to further strengthen the program's position as an independent organization within the ministry, with financial and operational independence from regional and district operations.

The Forest Stewardship Division includes staff in the Forest Practices Branch, Research Branch, Forest Analysis Branch and the Tree Improvement Branch, which manages the Tree Seed center and 6 seed orchard facilities.

In the Tenure and Revenue Division are Economics and Trade, Revenue, Resource Tenures and Engineering, and Aboriginal Affairs Branches.

The Operations division personnel in Victoria are the Compliance and Enforcement Branch and executive and support staff to Fire Protection and Field Services staff.

Corporate Policy and Governance Division provide overall co-ordination of policy development and support services to the entire ministry in the areas of financial services, human resources, information technology, and strategic policy and legislation development.

Ministry Operating Context

Internal issues

In 2004/05, the ministry continued with the challenge of implementing the policy changes associated with the Forestry Revitalization Plan and the *Forest and Range Practices Act*. The ministry also continued to address the softwood lumber dispute, expand dialogue with First Nations groups, deal with the impacts of the mountain pine beetle epidemic, and improve forest fire prevention and suppression practices. The context for all of these issues is expanded on in the progress on Strategies and Performance Measure Results section.

Social Trends

B.C.'s population is changing, with more people locating in urban centres. From 1996–2001 urban populations increased 5.2 per cent and rural populations declined by 0.4 per cent. As the urban-rural split expands the connection to and understanding of the natural environment is decreasing.

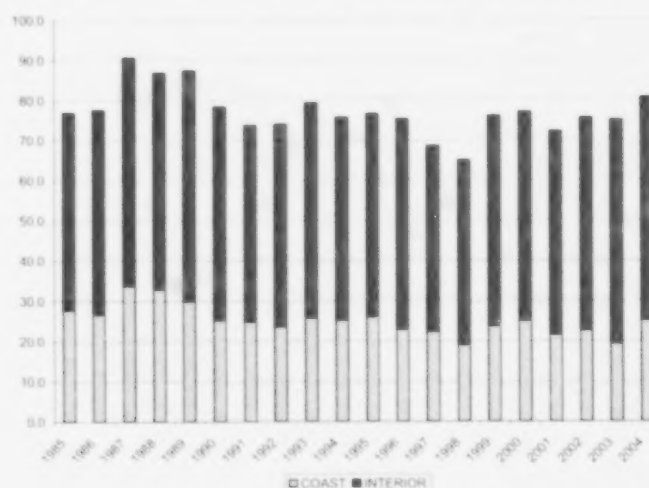
The increasing urban influence is causing more pressure to diversify forest management in areas of the the province. This together with the introduction of more market forces into the forest industry, which makes BC more competitive, is changing the connection between rural communities and the forest industry. Rural forest-based communities will continue to respond to these changes.

Environmental Trends

At the global level there has been significant agriculture and forest degradation, and the ecological footprint of cities is increasing. Despite these trends, there is a growing surplus of wood in some regions and a general oversupply of forests as compared to demand.

Provincially, we are experiencing higher average temperatures, more concern about water supplies, more severe fires, and more insect infestations. The pressure to manage our forests sustainably will continue, and there is a need to consider our forest practices in light of possible long-term climate changes.

The timber harvest in 2004 exceeded 80 million cubic metres — an increase of approximately 7.5 per cent from 2003, and 5 per cent above the five-year average harvest (see Figure 1 below). Although fluctuations in the annual harvest level are not unusual, the increase in the 2004 harvest level can be attributed to strong market prices for lumber, pulp and paper, and the salvage of fire and beetle killed wood.

Figure 1: Annual Timber Harvest (Crown and private lands), 1985-2004

Economics

Forest sector economics are currently dynamic with a lot of rapidly changing forces. In addition to changes in global markets and an increasingly competitive interior forest industry, the mountain pine beetle infestation and increased harvesting in the interior is having a considerable impact on sellers in BC. Access to the North American market for wood products continues to be essential for the B.C. economy. There is a need to find new ways to utilize and market beetle killed wood other than dimension lumber in Asia, U.S. and Canada, as well as alternative uses for chips and by-products.

Global Context

China, Eastern Europe and South America are playing an increasingly important role in the global forest industry as emerging suppliers and exporters with very competitive cost structures. China is rapidly expanding its wood processing capacity to meet its increasing domestic demand. Producers from Northern Europe continue to invest in the Russian wood products industry, and Russia is also emerging as one of the largest log exporters in the world.

Due to an improved Japanese economy, the value of exports to Japan increased and Japan continued to be the second largest export market for British Columbia forest products in 2004.

In 2004, world prices for lumber, pulp and paper significantly increased from 2003 prices; however the depreciation of the U.S. dollar against the Canadian dollar reduced returns for Canadian producers. European, Chilean, and New Zealand lumber exports to the U.S. continued to increase in 2004.

Consolidation

Consolidation is happening in almost every aspect of every commodity sector. Over the last several years there have been mergers and takeovers within the global forest industry, which have resulted in a consolidation of production as multinational companies continue to pursue lower unit costs. Despite recent mergers, BC companies are relatively small on a global scale and this influences their ability to attract capital and work with large retailers.

Recent changes in BC include the West Fraser-Weldwood merger in early 2005 and the announcements of the Tolko-Riverside merger and Brascan's purchase of Weyerhaeuser's coastal timberlands.

Prices

The B.C. forest industry's reliance on the export of their products into global markets makes commodity prices an important determinant of the sector's performance and health (see Table 1). On average, wood product commodity prices in 2004 were significantly above 2003 levels.

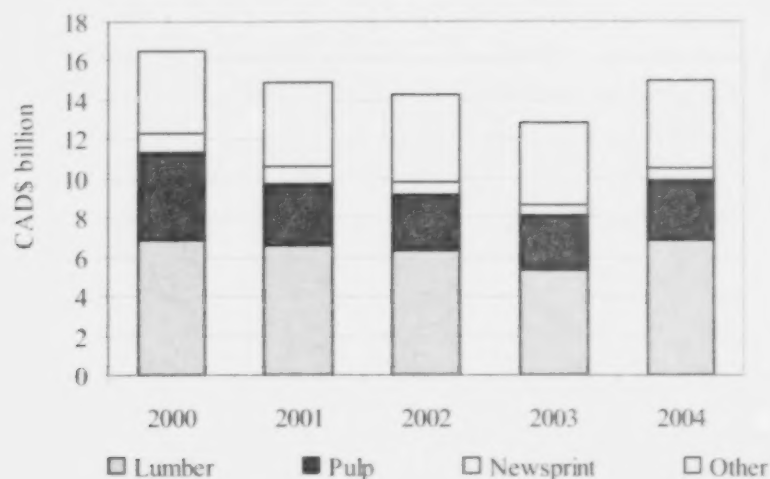
Table 1: Commodity Prices

Product	Unit	Annual Average 2004	Annual Average 2003	Annual Average 2002
Spruce Pine Fir	US\$/000 bd. ft.	392	269	235
Hemlock Baby	US\$/000 bd. ft.	613	534	597
Northern Bleached Kraft (NBSK)	US\$/tonne	615	522	463
Newsprint	US\$/tonne	550	501	468

Source: Madison's Canadian Lumber.

Exports

British Columbia's forest-based industries produced an array of wood products during 2004, but continued to be dominated by the production of lumber, pulp and newsprint (see Figure 2).

Figure 2: Export by Forest Products

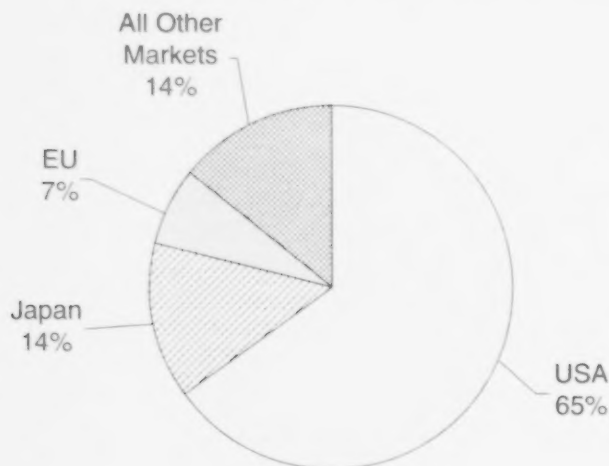
While forest product exports from British Columbia continue to be less than the five-year high that occurred during 2000, total B.C. forest product exports in 2004 were \$15 billion, up 16.5 per cent from 2003. A large portion of the increase is attributable to increased efficiencies made by the forest industry which have reduced production costs allowing exports to the U.S. to be financially feasible despite softwood lumber duties and other costs. Softwood lumber typically accounts for over 40 per cent of total forest product exports (see Table 2).

Table 2: Total Forest Product and Softwood Lumber Export (CAD \$ billion)

	2000	2001	2002	2003	2004
Total Forest Products Exports	16.52	14.86	14.30	12.87	15.00
Softwood Lumber Exports	6.87	6.59	6.35	5.31	6.90

Source: Statistics Canada.

The primary market for B.C. products continues to be the United States, which imported 65 per cent of British Columbia's total provincial forest product exports in 2004. Japan was the second largest destination for B.C. forest products accounting for approximately 14 per cent of the total (see Figure 3).

Figure 3: B.C. Forest Product Exports by Major Market-2004

Softwood Lumber

The current softwood lumber dispute between Canada and the U.S. commenced in April 2001. From May 22, 2002 to December 20, 2004 most Canadian softwood lumber exported to the U.S. was subject to a combined countervailing and anti-dumping duty of 27 per cent. As of December 20, 2004, the duty was reduced to 20 per cent.

Canadian federal and provincial governments and industry have been working to eliminate these duties, both through legal challenges under international trade rules, and through attempts to negotiate a long-term solution to the dispute.

On the legal front, a number of World Trade Organization (WTO) and North America Free Trade Agreement (NAFTA) rulings on Canada's challenges to the U.S. duties were released in 2004. These include a NAFTA panel decision in August 2004 that the U.S. softwood lumber industry is not threatened with material injury by Canada's softwood lumber exports. In November, the U.S. requested an Extraordinary Challenge Committee (ECC) to review allegations of bias in the NAFTA injury panel. Should Canada win the ECC, the current softwood lumber case would terminate. The results are expected in the summer of 2005.

Strategic Shifts and Significant Changes in Policy Direction

This section outlines a change in policy direction for the Stewardship core business area resulting from consultation and legislative processes, a strategic shift in policy for the Recreation Program, under the Stewardship Core Business Area and a change in organizational reporting structure affecting the B.C. Timber Sales Core Business Area.

Stewardship of Forest Resources

The defined forest area management (DFAM) initiative

The DFAM initiative was envisioned to provide a framework for collaborative forest management and a greater responsibility to more effectively perform a set of strategic forest management activities to standards set by the Province by licensees within timber supply areas (TSAs). The enabling legislation introduced in 2003 obligating licensees to undertake timber supply analysis and specified forest health activities was to be brought into force on April 1, 2005.

Since 2003, licensees have been carrying out the timber supply analysis and forest health activities on a voluntary basis using Forest Investment Account (FIA) allocations. During 2004/05, it was decided that the forest health activities would no longer be a part of DFAM, due in part to the government managing the mountain pine beetle epidemic on a provincial basis. Forest health activities will therefore remain a ministry responsibility. Timber supply analysis responsibilities will continue to move forward under DFAM, however, the enabling legislation will not be brought into force until April 1, 2007.

Bark Beetle Management

Throughout 2004/05 the ministry continued to work to prevent the spread of Mountain Pine Beetle (MPB) in the B.C. Interior and to facilitate the salvage of beetle killed wood. The widespread loss of lodgepole pine forest in B.C. due to the beetle epidemic is a long-term threat to the stability and economic well-being of Interior forest-dependent communities, and has serious implications for water tables, stream flow regulation, erosion, water quality, fisheries, forest fires and wildlife habitat. The potential for the beetle to spread outside our borders also brought about an agreement between Alberta and B.C. to provide support for beetle suppression activities in the Peace River area.

Mitigating the impacts of this epidemic goes well beyond forestry-related activities or the scope of any one ministry. This has prompted the development of a more comprehensive Mountain Pine Beetle Action Plan that provides a broader, longer term approach involving all appropriate government ministries. This five-year plan sets out seven key objectives aimed at mitigating the social, economic and environmental consequences of the MPB infestation now and in the future:

- Ensuring long-term economic stability for communities;
- Maintaining and protecting public health, safety and infrastructure;
- Recovering the greatest value from dead timber before it burns or decays, while respecting other forest values;
- Conserving the long-term forest values identified in land use plans;
- Preventing or reduce damage to forests in areas that are susceptible but not yet experiencing epidemic infestations;
- Restoring the forest resources in areas affected by the epidemic; and

- Maintaining a project management structure that ensures coordinated and effective planning and implementation of mitigation measures.

In September 2004, the total allowable annual cut, for the three north central timber supply areas most affected by beetle, was increased by 4.9 million cubic metres. This action by the chief forester was designed to facilitate salvage logging of the affected areas to realize value from the dead trees, speed-up regeneration and restore forest productivity. In December 2004, major tenure opportunities that emphasized the creation of new markets and uses for beetle killed wood were successfully advertised for competitive bid. This approach of targeting beetle killed volumes for alternative uses minimizes the disruption of existing forest product markets and is a feature of the province's beetle strategy.

Recreation Program

The 2004/05 Service Plan indicated that the ministry was focusing management of recreation sites and trails either through partnership agreements or as user-maintained. Early in 2004/05 it was acknowledged that government support (e.g., for infrastructure replacement and hazard tree abatement) was necessary to sustain existing agreements and expand new partnerships. In addition, a minimal level of maintenance was deemed to be essential at high-use recreation sites and trails that were being managed outside partnership agreements as user-maintained. Government provided funding to address this change of direction, and future recreation strategies and performance measures will now reflect this change.

BC Timber Sales

BC Timber Sales was established in 2003/04 as a result of government direction to put the program on a commercial footing. In 2004/05, BC Timber Sales began reporting to a stand-alone Assistant Deputy Minister. This direction was intended to further strengthen the program's position as an independent organization within the ministry, with financial and operational independence from regional and district operations.

Update on New Era Commitments

In 2001, the provincial government established 11 commitments for their *New Era* of Sustainable Forestry, which fall within the ministry's mandate. Seven of the 11 commitments have been achieved since 2001. The table reports on four commitments that were ongoing at the beginning of 2004/05, and summarizes the ministry actions to date towards achieving these commitments.

New Era Commitment	Ministry Actions
Create a market-based stumpage system that reflects global market realities and local harvesting costs	A market pricing system was implemented for the Coast on February 29, 2004. A system for the Interior was planned to be implemented by December 31, 2004, but was delayed due to the continuing softwood lumber dispute and the mountain pine beetle infestation. A decision on implementation will be made in 2005/06.
Work to expedite interim measures agreements with First Nations, to provide greater certainty during treaty talks.	The Forest Service continues to provide support for the Treaty Negotiations Office on priority treaty tables, and negotiate interim measures and accommodation agreements. During 2004/05, 25 accommodation agreements were signed with First Nations.
Increase the allowable annual cut over time through scientific forest management, proper planning, and incentives to promote enhanced silviculture.	The Forest Investment Account provided \$57 million in 2003/04 and \$42.8 million in 2004/05, for tree improvement, planning, research and land-base investment activities (silviculture, resource inventories, forest health planning and sustainable forest management planning).
Invest in research to promote forest stewardship.	In 2004/05, \$10 million was invested in forest research and science through the Forest Investment Account, Forest Science Program.

Report on Performance

Overview of Ministry Goals and Linkage to Government Strategic Goals

The Forest Service has three long-term goals to provide overall direction in achievement of its mission and vision. The government's strategic goal of "a sustainable environment" guides the ministry's goal of sustainable forest resources. The ministry is responsible to balance the use of the forests to generate sustainable economic forest benefits, which in turn support a strong and vibrant provincial economy, with the long term health of the forest and range resources. The ministry's third goal enables the effective achievement of the first two goals.

Table 3: Linkage of Ministry Goals to Government Strategic Goals

Ministry Mission		
To protect, manage and conserve forest and range values through a high performing organization.		
Government Strategic Goals		Ministry Goals
1. Safe, healthy communities and a sustainable environment	→	1. Sustainable Forest Resources.
2. A strong and vibrant provincial economy	→	2. Sustainable Forest Benefits.
		3. Effective and Responsive Forest Manager.

Report on Results

Key Outcome Indicators

The ministry uses 16 key outcome indicators to report progress and trends towards the achievement of its three long-term goals. Although key outcome indicators are not in the direct control of the ministry and therefore are not considered part of the ministry's performance results, they provide important information for ministry decisions related to strategic planning and target setting for performance measures. The results for key outcome indicators are provided in a synopsis below and described more fully under each goal or objective as appropriate.

Synopsis of Ministry Key Outcome Indicators

LONG-TERM GOALS	KEY OUTCOMES	OUTCOME INDICATORS	2003/04 Actuals	2004/05 Actuals	Report on Page
Sustainable Forest Resources	A Sustainable Forest Land Base	Area of provincial forestland in millions of hectares.	47.7	47.7	33
	Sustainable Timber Productivity	Ratio of area reforested to area harvested or lost to fire and pest (unsalvageable losses, based on a 5-year rolling average).	0.82	Data Not Available	34
		Total area of Crown forest lost to unwanted wildfire annually (in hectares, on a 5-year rolling average).	50,615	63,540	29
	Healthy Forests — soil quality, water quality and ecosystem diversity	Per cent of annual harvest area with soil loss due to establishment of permanent access roads (based on a 5-year rolling average).	4.4%	Data Not Available	35
		Percentage of community watersheds with active logging for which watershed assessments have been completed.	100%	100%	35
		Area of forests > 140 years of age within the province in millions of hectares.	24	Data Not Available	36
	Effective forest protection and management by forest operators	Percentage of forest operators' compliance with standards that regulate forest practices.	92.1%	91.4%	46
Sustainable Forest Benefits	Revenue to the Crown	Crown forest gross revenue (\$billions).	\$0.987	\$ 1.321	50
		Crown net revenue from BC Timber Sales (\$ millions).	\$101.1	\$ 150.2	50
	Diversification of B.C. exports markets	B.C.'s share of the US softwood lumber market.	18.1%	18.1%	51
		B.C.'s share of Japan softwood lumber imports.	40%	40%	52
		Increase in wood product sales to Taiwan, China and Korea.	34%	11.3%	52
	Competitive forest sector	Ratio of B.C. forest industry capital investment to depreciation and amortization.	< 1.0	< 1.0	52
	Globally competitive forest sector	Percentage increase in forestland certified by major forest certification processes.	48%	33%	53
Effective and Responsible Forest Manager	Public trust in the BC Forest Service	Percentage of those surveyed who believe the forest service can be trusted to protect and manage our public forests.	Surveyed every second year	52%	63
	Effective administration of the Forest Investment Account (FIA)	Third party administrator performance targets achieved.	N/A	90.9%	67

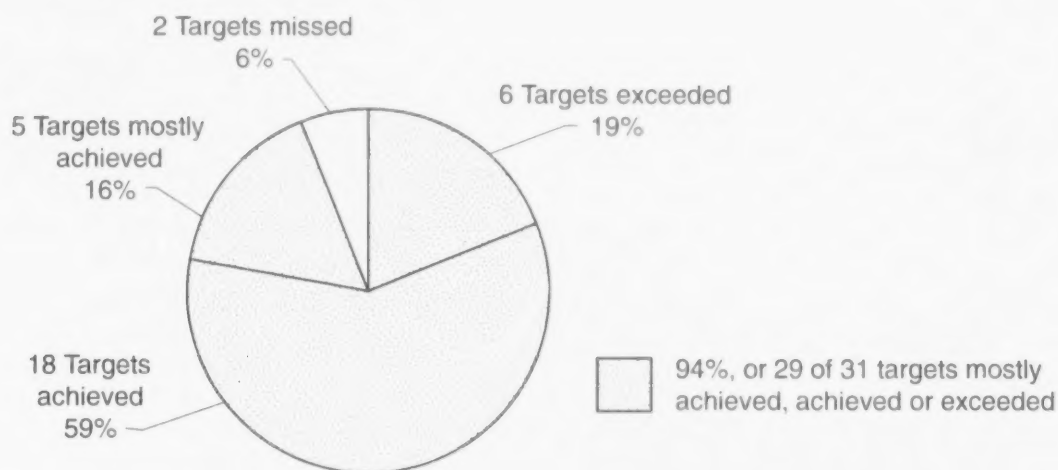
Progress on Strategies and Performance Measure Results

This section reports on the ministry's accomplishments and performance measure achievements under each goal, in the context of its core business areas, objectives, and

strategies. The objectives are results-oriented statements of what the ministry intends to achieve in the short-term. The strategies outline the actions that were taken in 2004/05 towards achievement of the objectives and the goals. The performance measures were chosen to indicate the degree of success the ministry has in achieving these objectives and strategies. The accountability for the performance measures and targets resides fully with the Ministry of Forests.

Performance at a Glance

Performance Measure Target Achievement



The ministry established 34 corporate performance measures and targets for 2004/05 to evaluate ministry performance in its core business areas. As shown in the pie-chart above, 31 measures are reported on, yielding five targets that were mostly achieved (> 80% to 95%), 18 targets that were achieved (95% to 105%), and six targets that were exceeded (> 105%) for a total of 94% target achievement (29 measures). Two measures (6%) had targets that were missed.

The following three measures do not have updated data to report in 2004/05:

- The performance measure on client satisfaction with research, scheduled for assessment every three years, will be evaluated again in 2005/06.
- The measure for implementation of the market-pricing system in the Interior, although originally scheduled for 2004/05, is still dependent on the outcome of negotiations with regard to softwood lumber.
- The measure on achievement of free growing obligations under the Forest Stand Management Fund required no activity during the year.

A synopsis of the links between goals, objectives, strategies and performance results is provided below. Explanations of each measure and its performance target achievements are provided in the following sections.

Synopsis of Ministry Performance Measure Results

Ministry Goals	Ministry Key Objectives	Ministry Performance Measures	Results
Sustainable Forest Resources	→ Forest and range resources are protected.	→ 1. Per cent of unwanted wildfire contained at < 4 hectares.	→ ✓
		→ 2. Per cent of Crown forest aerial surveyed to monitor forest health.	→ ✓
		→ 3. Per cent of high priority bark beetle infestation sites treated by Ministry of Forests.	→ △
		→ 4. Per cent of high priority areas treated to manage defoliator outbreaks.	→ ✓
	→ Ecosystem health in BC is monitored.	→ 5. Status of the State of the Forest Report.	→ ✕
	→ Effective performance standards are in place.	→ 6. Number of completed effectiveness evaluations of forest practices legislation.	→ ✓✓
		→ 7. Per cent of forest deregulation achieved.	→ ✓✓
		→ 8. Client satisfaction with applied research by the ministry.	→ N/A
	→ Forest and range resources are managed and improved on a sustainable basis.	→ 9. Per cent of timber supply allowable annual cut determinations achieved by their scheduled deadline.	→ △
		→ 10. Per cent achievement of ministry free growing obligations under the Forest Stand Management Fund.	→ N/A
		→ 11. Volume gain of timber available for harvest in 65 years from all tree improvement activities (cubic metres/year).	→ ✓✓
		→ 12. Per cent of seedlot registration requests to meet sustainable gene resource practices that are completed within 30 days.	→ ✓
		→ 13. Area restored to open forest and grassland (hectares).	→ △
		→ 14. Per cent of available crown range forage under a form of tenure.	→ ✓
		→ 15. Total number of Forest Service recreation sites and trails available for public use (managed under partnership agreements or user-maintained).	→ ✓

✓✓ Exceeded target. ✓ Achieved target. △ Target mostly achieved. ✕ Missed target N/A — Not Applicable.

Ministry Goals	Ministry Key Objectives	Ministry Performance Measures	Results
Sustainable Forest Resources (continued)	→ Statutory obligations are enforced.	→ 16. Per cent of high and very high priority sites inspected for forest and range practices compliance.	→ △
		→ 17. Per cent of alleged compliance contraventions successfully concluded.	→ ✓
		→ 18. Per cent of alleged enforcement contraventions successfully concluded.	→ △
Sustainable Forest Benefits	→ Access to export markets for BC forest products.	→ measured by the key outcome indicator "B.C.'s share of the for BC forest products U.S. softwood lumber market"	
	→ Statutory obligations are enforced.	→ 19. Per cent of high and very high priority inspections for pricing and revenue compliance.	→ ✓
	→ Fair value for use of forest and range resources to the public.	→ 20. Status of implementation of market-based pricing system.	→ N/A
	→ Opportunities to generate wealth from forest resources.	→ 21. Per cent of Timber Supply Area Allowable Annual Cut under a form of tenure.	→ ✓
	→ A reliable and safe forest road network.	→ 22. Per cent reduction or increase to the non-industrial Forest Service road network.	→ ✓
	→ Increased FN participation in the forest sector.	→ 23. Total number of accommodation agreements signed with First Nations.	→ ✓
		→ 24. Number of tenures offered to First Nations.	→ ✓✓
	→ A credible reference point for costs and pricing of timber harvested on public land.	→ 25. Average cost per cubic metre of volume developed under BC Timber Sales.	→ ✓✓
		→ 26. Per cent of BC Timber sales fully developed.	→ ✓
	→ An open and competitive market for timber.	→ 27. Per cent of volume advertised for sale by BC Timber Sales.	→ ✓
		→ 28. Volume offered for sale (Million m ³) by BCTS.	→ ✓✓
	→ Optimize net revenue to the province within the parameters of sound forest management.	→ 29. Volume sold (Million m ³) by BC Timber Sales.	→ ✓
		→ 30. BC Timber Sales instances of significant non-compliance with the <i>Forest and Range Practices Act</i> .	→ ✓

✓✓ Exceeded target. ✓ Achieved target. △ Target mostly achieved. × Missed target. N/A — Not Applicable.

Ministry Goals	Ministry Key Objectives	Ministry Performance Measures	Results
Effective and Responsive Forest Manager	→ Ministry policy and planning frameworks established.	→ 31. Delivery of the ministry's legislation program.	→ ✓
	→ Be a high performing organization.	→ 32. Increase in the number of major client services available electronically.	→ ✓
	→ Improved effectiveness and efficiency of FI delivery.	→ 33. Regular evaluation of value gained from Forest Investment Account (FI) investments.	→ ✗
		→ 34. Per cent of FI activity standards evaluated.	→ ✓

✓✓ Exceeded target. ✓ Achieved target. △ Target mostly achieved. ✗ Missed target. N/A — Not Applicable.

Goal 1: Sustainable Forest Resources

As stewards of British Columbia's forest and range resources, the Ministry of Forests will ensure that appropriate forest and range management practices are used to maintain and improve the long-term sustainability and health of the province's forest, range and recreation resources. The ministry will also ensure that incremental investments in the forest resource are effective through the Forest Investment Account.

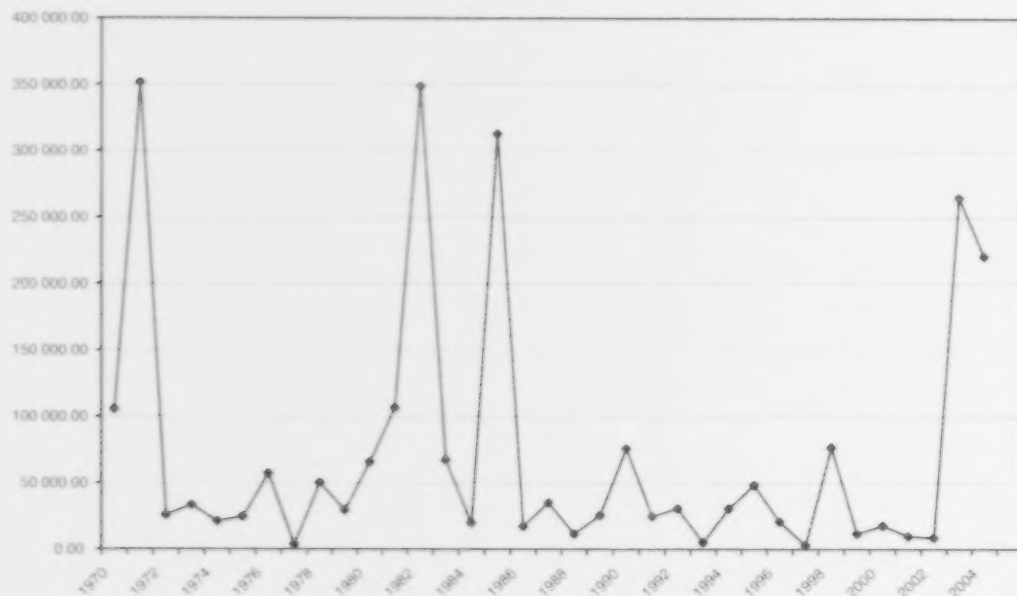
Core Business 1: Forest Protection

The Forest Protection Core Business includes Fire Protection and Forest Health. The ministry provides fire management expertise and fire suppression capability to protect natural resources and investments in the forest land-base. Our forest fire response is primarily focused on protecting lives and public forest assets, particularly timber. Without fire protection, some 500,000 hectares of productive forest could be lost annually costing the province billions of dollars in potential direct and indirect revenue through forestry, tourism and other sectors. The ministry undertakes cost sharing with the forest industry for fire protection of industrial activities. In addition, cost sharing is undertaken for fire protection with other landholders including other governments, forest industry, utilities, and managed private forestland. As well, the ministry is working with local governments to improve the wildfire safety of their communities.

A key outcome indicator of how fire impacts forest resources is the total area lost to wildfire annually. The ministry has been tracking this measure since 1950. Graph 1 demonstrates the range and impact of total hectares lost to wildfire since 1970.

Forest Protection also includes Forest Health, or the detection and management of insect pest outbreaks on areas under the responsibility of the province. Of key significance are bark beetles and gypsy moth infestations, described below. Other defoliators, endemic pests and outbreaks of local significance are also managed.

Graph 1: Total Hectares Lost to Forest Fires 1970 to 2004



Key Outcome Indicator	Year	Projection	Actual	Variance
Total area of Crown forest lost to unwanted wildfire annually (in hectares, on a 5-year rolling average)	2004/05	<65 000	63 540	-1 460
	2003/04	<30 000	50 615	20 615
	2002/03	<30 000	20 471	-9 529
	2001/02 (benchmark)	<30 000	17 095	-12 905

Unwanted wildfire is unplanned or accidental, with the potential to cause damage to or loss of timber, range or public resources. The exceptionally severe 2003 fire season, the worst since 1958, together with the hot dry weather that continued during the summer of 2004 will impact the five-year rolling average of area lost for the next five years. Therefore, the area lost will continue to be projected at < 65 000 hectares per year, in order to reflect this impact.

Objective 1: Prevent and manage unwanted wildfire, pests and invasive plants to ensure that forest and range resources are protected.

Responding to natural events such as wildfire or pest epidemics is important to the ministry's ability to plan for sustainable forest resources. Achievement of this objective is shared with forest licensees and the public through legislation and regulation. Risks to achieving the objective include extreme fire danger conditions and extreme rates of spread where known treatments become less effective or the cost to treat is prohibitive, as with the bark beetle epidemic.

Strategy 1: Ensure fire preparedness and rapid effective initial attack.

As part of ongoing efforts to improve fire management policies, streamlined regulation and improved accountability by forest users have been confirmed under the new *Wildfire Act* and Regulation which were brought into force March 31/05. The *Wildfire Act* was developed to replace the wildfire sections of the *Forest Practices Code Act* and involved extensive consultations with government agencies, communities and industrial operations and was adjusted to help fulfill key recommendations from both the B.C. Auditor General's 2001 report and the *Firestorm 2003 Provincial Review*.

In April 2004 the government committed to implementing all the recommendations from the Firestorm review. During 2004/05, in addition to the new Act, the Ministry of Forests added 100 more fire fighters, two more large airtankers to its fleet, re-emphasized prescribed burning and selective vegetation removal to reduce fuel loads, funded communities to develop Community Wildfire Protection Plans, and helped to expand the FireSmart program. Additionally, the ministry has worked with counterparts in Natural Resources Canada to further the development of a Canadian Wildland Fire Strategy. Through these actions, all levels of government are better prepared to deal with wildfires into the future.

Performance Measure and Results for Strategy 1

Performance Measure	Year	Target	Actual	Variance	Result
1. Per cent of unwanted wildfire contained at less than four hectares	2004/05	92%	92.4%	+0.4%	Achieved
	2003/04		91.8%		
	2002/03		93%		
	2001/02		91%		

This is a measure of the ministry's success rate of initial attack on wildfire that is unplanned or accidental, and has potential to cause damage to or loss of timber, range or public resources. If containment is kept to under four hectares, damage and costs for fire suppression are kept to a minimum. Data is from the ministry's Historical Fire Statistics Database.

Abnormally hot dry weather experienced in the summer of 2003 resulted in over 2,500 wildfire starts and continued in 2004 with 2,399 wildfire starts. The ministry's success rate of initial attack was achieved and the hectares burned were significantly reduced from the summer of 2003.

With projected increasing dry summer conditions, wildfires will continue to be a significant threat to B.C. Interior communities.

Strategy 2: Forest licensees will take on greater responsibilities for protecting the health and forests under their management through the defined forest area management model.

Early in 2004/05, in part due to the Bark Beetle epidemic, direction on this strategy was changed (as described in the section on Strategic Shifts) resulting in the ministry continuing to oversee forest health activities.

Strategy 3: Early detection and treatment of insect infestations, including monitoring and treatment of mountain pine beetle and defoliators.

The ministry is working closely with forest industry, affected communities and other government agencies to implement the Mountain Pine Beetle Action Plan in British Columbia. The 2004 provincial overview survey identified over 7 million hectares as infested by mountain pine beetle (red attack areas, prior to the beetle flight). This has grown from an infestation of only 200,000 hectares in 1999 (although 1999 to 2003 does not include trace numbers, which were included for the first time in 2004). The estimated total infested volume, cumulative over 43 years, is 283 million cubic metres (data provided by the Council of Forest Industries). The long-term consequences of the epidemic will affect the social, environmental and economic aspects of life in central British Columbia.

Performance Measures and Results for Strategy 3

Performance Measure	Year	Target	Actual	Variance	Result
2. Per cent of Crown forest aerial surveyed to monitor forest health	2004/05	100%	100%	0	Achieved
	2003/04		100%		
	2002/03		100%		
	2001/02		100%		

Annual province-wide aerial surveys are used to monitor forest disturbances caused by insects, diseases, animal and abiotic factors, which is critical to the early detection and treatment of forest health. The wording of the measure was changed in 2004/05 from monitoring insect infestations to monitoring forest health. This more accurately reflects the overall purpose of data collection, although it is especially critical for early detection and treatment of insect infestations.

The findings of these surveys are posted on the ministry website for access by licensees and ministry staff. The data is used to track damage trends, estimate impacts on forest resources, plan management activities strategically, and direct more detailed surveys.

The overview survey was completed as planned.

Performance Measure	Year	Target	Actual	Variance	Result
3. Per cent of high priority bark beetle infestation sites treated by MOF (largely parks and protected areas)	2004/05	80%	75%	-5%	Mostly Achieved
	2003/04		88%		
	2002/03 (baseline)		89%		

High priority sites present an opportunity to stop or reduce the rate of spread by treating through felling and burning, setting up pheromone trap trees, or other methods. By agreement with the Ministry of Water, Land and Air Protection and the Ministry of Sustainable Resource Management, the Ministry of Forests is responsible for treatments in parks and protected areas.

Despite the continued exponential expansion of beetle infestation during 2004/05, the number of sites in parks and protected areas that presented an opportunity to stop or reduce the rate of spread was relatively high.

Performance Measure	Year	Target	Actual	Variance	Result
4. Per cent of high priority areas treated to manage defoliator outbreaks	2004/05	Gypsy Moth 100%	100%	0%	Achieved
		Other defoliators 50%	54%	4%	
	2003/04 (baseline)		Gypsy Moth N/A All Others 99%		

This measure includes treatments to manage gypsy moth as well as other defoliators such as western spruce budworm, western hemlock looper and all others. The baseline was established in 2003/04 as 100 per cent for gypsy moth and 99 per cent for all other defoliators. No gypsy moth treatments were required in 2003/04.

In 2004/05 gypsy moth related activities included aerial spraying of two sites — South Delta and Saanich — as well as mass trapping at three sites — Abbotsford, S. Duncan, and Gabriola Island. MOF assists the Federal Canadian Food Inspection Agency (CFIA) in monitoring for new introductions of gypsy moth throughout British Columbia. Although 89 gypsy moths were trapped, there was no evidence of breeding populations in 2004. It was determined that another year of high-density trapping would better delineate the infested area prior to further treatments and therefore no treatments are scheduled for 2005/06.

Other defoliators included western spruce budworm and western hemlock looper, which remained active throughout the Interior and Coastal regions. Western spruce budworm continued to expand in 2004 to cover 623 735 hectares of Douglas fir forest from Williams

Lake south to Princeton in the Southern Interior Forest Region and Pemberton in the Coast Forest Region. A total of 25 000 hectares of budworm affected forest in the 100 Mile House Forest District were treated with *Bacillus thuringiensis* var. *kurstaki* (B.t.k.). The western hemlock looper population collapsed in 2004 and no treatments were required.

Core Business 2: Stewardship of Forest Resources

The functions in this core business area are fundamental to ensuring sound environmental stewardship of forest and range resources to ensure that they are used in a sustainable way. This in turn supports global recognition of environmental stewardship for British Columbia and companies operating on Crown land by ensuring that an appropriate regulatory framework is in place. This can also provide a foundation for forest certification of company operations.

Stewardship includes the regulation of forest and range practices, timber supply planning and allowable annual cut (AAC) determination, range planning and management, control of invasive plant species, recreation management, applied research, forest gene resource management, and tree improvement.

Key Outcome: A Sustainable Forest Land Base

The area in provincial forest reflects provincial land use decisions. Changes would be expected if the government removed Crown land from forest management for other uses (e.g., preservation, parks or agriculture, or Crown land sales) or converted land from other uses to forest management.

Key Outcome Indicator	Year	Projection ¹	Actual	Variance
Area of provincial forest land in millions of hectares	2004/05	47.7 M	47.7 M	0
	2003/04		47.7 M	
	2002/03		47.8 M	
	2001/02 (benchmark)		47.0 M	

¹ The projection in the 2004/05 Service Plan of 47.3 million hectares was incorrect as it excluded Crown land within woodlot licences, and included private land within tree farm licences.

Provincial forestland for the purposes of this measure is the Crown land in timber supply areas, tree farm licences, woodlot licences and community forest agreements. Data are from the Ministry of Forests AAC database, as at January 1 each year.

The small reduction in the productive forest area between 2002/03 and 2003/04 reflected updated inventory information and minor changes to land use and administration rather than a change to the land base.

Key Outcome: *Sustainable Timber Productivity*

The ministry uses a ratio of area reforested to area harvested or lost to fire and pest, based on data from the past five years, to represent sustainable timber productivity.

Key Outcome Indicator	Year	Projection	Actual	Variance
Ratio of area reforested to area harvested or lost to fire and pest (unsalvageable losses, based on a 5-year rolling average)	2004/05	.85	Data not available until September 2005	N/A
	2003/04		.82	
	2002/03		.93	
	2001/02 (benchmark)		1.2	

- A ratio less than 1.0 indicates a trend toward more area being harvested or lost to fire and pest than reforested.
- The area reforested includes planting and natural regeneration and is net of reforestation failures. Areas reforested may include reforestation of harvested areas, as required by law since 1987, backlog reforestation (areas harvested prior to 1987) and reforestation of areas lost to fire and pest. Forest licensees are meeting their legal obligations to reforest harvested areas (as indicated by a Forest Practices Board report in 2002 — The Forest Practices Board has scheduled an updated audit for the summer of 2005).
- Areas harvested are by any method (including selection cutting). Losses to fire and pest are unsalvageable, and do not include areas denuded by the summer of 2003 and 2004 fires.
- In 2004/05, a portion of Forest Investment Account funds was directed towards reforestation of areas lost to fire and pest. In addition, government has created a new Forests For Tomorrow program and is allocating \$86 million over the next 3 years to reforesting and managing key areas impacted by wildfire and mountain pine beetle. An improved ratio of reforestation to denudation will be seen in the next 5 to 7 years as government provides new focused and consistent funding to reforest backlog, wildfire and mountain pine beetle affected areas.
- By regulation, forest licensees and the BC Timber Sales must report 2004/05 data by May 31, 2005. Due to significant computer system changes and delays in getting information into the new computer systems, the most current data available to update the 5-year rolling average is for reforestation and harvesting activities completed up to March 31, 2003.
- It is expected that the ministry's databases will include updated fiscal 2003/04 data by June 2005 and 2004/05 data by September 2005. Beginning in fiscal year 2005/06, a new electronic submission framework which links industry and BC Timber Sales to the ministry, will result in more timely and accurate reporting of key outcome indicators and silviculture activities on Crown land.

Key Outcome: *Healthy Forests — soil quality, water quality and ecosystem diversity.*

Healthy forest ecosystems sustain the quality and quantity of soil, water and timber, and therefore, indicate sustainable forest resources. The indicators chosen are linked to national forest criteria and indicators of global forest sustainability. Although the indicators presented here are chosen to represent key elements of healthy ecosystems, these indicators are only meaningful at the ecosystem level, need to be considered over time, and none can be taken by themselves as a sufficient indicator of sustainability. The ministry intends to present more comprehensive information in a "State of the Forests" report published periodically.

Key Outcome Indicator	Year	Projection	Actual	Variance
Per cent of community watersheds with active logging for which watershed assessments have been completed	2004/05	100%	100%	0
	2003/04		100%	

All community watersheds with active logging now have watershed assessments completed. Data are from the Ministry of Sustainable Resource Management's Community Watersheds website at <http://srmwww.gov.bc.ca/wat/cws> *.

With completion of all assessments, 2004/05 is the last year that this indicator is reported.

Key Outcome Indicator	Year	Projection	Actual	Variance
Per cent of annual harvest area with soil loss due to establishment of permanent access roads (based on a 5-year rolling average)	2004/05	<5%	Data not available until September 2005	0
	2003/04		4.4%	

Permanent access roads include any un-rehabilitated roads, excavated or bladed trails, landings, pits or quarries. Harvest area is for harvest by any method and includes areas with retained mature timber and naturally occurring non-productive areas within the cut block boundary.

A percentage greater than 5 per cent indicates that the amount of permanent roads exceeds the long-term (17 year) average but is still within the 7 per cent limit set by the regulation under the *Forest and Range Practices Act*. A percentage less than 5 per cent indicates areas in permanent roads are below the long-term average.

By regulation, forest licensees and the BC Timber Sales must report 2004/05 data by May 31, 2005. Due to significant computer system changes and delays in getting information into the new computer systems, the most current data available to update the 5-year rolling average for this 2004/05 report is only for activities completed up to March 31, 2003.

It is expected that the ministry's databases will include updated fiscal 2003/04 data by June 2005 and 2004/05 data by September 2005. Beginning in fiscal year 2005/06, a new electronic submission framework which links industry, and BC Timber Sales to the ministry

* Refer to note on page 3.

will result in more timely and accurate reporting of key outcome indicators and silviculture activities on Crown land.

Key Outcome Indicator	Year	Projection	Actual	Variance
Area of forests > 140 years of age within the province in millions of hectares	2004/05	24 M	Updated data not available	N/A
	2003/04 (benchmark)		24 M	

The benchmark for this indicator was set in 2003/04 when a new definition of "forest" was introduced to align with the UN international definition¹ (trees are > 5 m tall at maturity and tree crown cover is > 10%).

Data used was the best available as of early 2001, compiled into a seamless forest cover inventory for the whole province including forests in parks and on private lands. Sources include detailed ministry inventories (90% of the province), detailed company inventories (6%), older, more general inventory for some parks (2%) and more general baseline thematic mapping from satellite imagery for the remainder (2%). When updated over time, any change in area will reflect both actual changes in the forests and changes to new inventory methods.

Updated data were not available within MOF in 2004/05. As of 2005/06 this indicator is no longer tracked in the Ministry of Forests Service Plan. A new inventory method is expected to be used to track this outcome in the State of the Forest Report, published periodically. Other up-to-date forest inventory information can be accessed at: www.pfc.forestry.ca/monitoring/inventory/overview_e.html *.

Objective 1: Monitor the health of forests and grassland ecosystems in the province

Monitoring the health of forests and grassland ecosystems allows the ministry to make a periodic assessment of the sustainability of forest resources in keeping with nationally recognized criteria and indicators.

¹ United Nations. 2001. Global Forest Resources Assessment 2000.

* Refer to note on page 3.

Strategy 1: Regularly evaluate and publish information on the state of the forests in British Columbia.

Performance Measure and Results for Strategy 1

Performance Measure	Year	Target	Actual	Variance	Result
5. Status of the "State of the Forest (SOF) Report."	2004/05	SOF Report with 12 indicators	Report on the SOF with 6 indicators was published — Report with 12 indicators is 70% complete	6 indicators not reported	Target missed
	2003/04		Report with 6 indicators 90% complete		

The State of British Columbia's Forests report will provide a periodic assessment of the state of British Columbia forests, aligning with national criteria and indicators of sustainable forest management. The report with six indicators was published in March 2005 on the Internet at: <http://www.for.gov.bc.ca/hfp/sof>*.

The six indicators published are:

- Environmental: Ecosystem diversity and Protected forests
- Economic and Social: Timber harvest and First Nations involvement
- Governance and Support: Law and Certification

The one-year delay in achieving the 2003/2004 target of publishing six indicators has contributed to a further delay in publishing the next report with 12 indicators. This has resulted in non-achievement of the 2004/05 target. The report with 12 indicators is expected to be completed by March 2006.

The next six indicators to be completed include:

- Environmental: Ecosystem dynamics, Species diversity and Genetic diversity
- Economic and Social: Ownership and management, Silviculture and Jobs and communities

Objective 2: Ensure performance standards for managing timber, forage, bio-diversity, water, soil, forest habitat, and scenic resources are established and evaluated.

In the ministry's role as regulator of forest practices, ensuring appropriate performance standards are in place is key to ensuring sustainability of forest resources. Effectiveness

* Refer to note on page 3.

evaluations are undertaken regularly to review the effectiveness of legislated standards. In addition, ongoing research provides science-based support for policy development.

During 2004/05, a number of adjustments to the *Forest and Range Practices Act* legislative framework were aimed at strengthening government objectives and ensuring smooth implementation. A provincial interagency/stakeholder team is continuing to work to ensure the development and introduction of tools and processes to support the *Forest and Range Practices Act* implementation.

Strategy 1: Continue transition to the new *Forest and Range Practices Act*, through approval of Stewardship plans in 2004/05.

The first Stewardship plans were submitted and approved in 2004/05. The transition continues in 2005/06.

Strategy 2: Continue evaluation and ongoing improvement to forest legislation.

Evaluation and ongoing improvement to forest legislation included effectiveness evaluations as described in performance measure #6 below, setting new benchmarks for SMART regulation as described in performance measure #7 (listed under the deregulation section) and performance measure #31 (which also contributes to achievement of the ministry's third goal).

Performance Measures and Results for Strategy 2

Performance Measure	Year	Target	Actual	Variance	Result
6. Number of completed effectiveness evaluations of the legislation	2004/05	3	6	+3	Exceeded
	2003/04		3		
	2002/03		3		
	2001/02		3		

Effectiveness evaluations are reviews of the effectiveness of the *Forest Practices Code* and *Forest and Range Practices Act*. They are used to determine whether policies, plans or practices are resulting in the desired objectives being met; that is, are they effective? Effectiveness evaluation indicators and protocols have been developed in conjunction with Forest Practices and Research program staff as well as other specialists (e.g., academic and consultants) using scientific methods, including research results and peer review. Science-based protocols are necessary to achieve ongoing improvement to the ministry's policy and legislation framework.

Seven effectiveness evaluation projects were carried out in 2004/05 with six of these completed. The target was exceeded due to additional funding and expertise being made available from the Ministry of Water, Land and Air Protection and the Forest Practices Board.

Final reports are posted on the FRPA Evaluation Program website at:
www.for.gov.bc.ca/hfp/frep/6_evaluation_reports.html *.

2004/05 Effectiveness Evaluations were:

- An Evaluation of Range Use Plan Content in Four Forest Districts in British Columbia — an assessment of 419 range use plans for content and effectiveness.
- An Evaluation of Rangeland Health and the Effectiveness of Plant Residue in Protecting Resource Values — assessment of rangeland health at 86 sites using indicators including site functionality, average stubble height, level of browse use, and the presence of invasive plants.
- Recreation Effectiveness Evaluation — assessment of 120 randomly selected Forest Service recreation sites to determine if sites are being managed in a safe, sanitary and environmentally sound manner.
- Timber Resource Value Evaluation — establishment of benchmarks for practices, policies, standards and legislation, and their effect on tree species diversity and genetic diversity.
- Baseline Data for Evaluating Wildlife Tree Patches — compilation of baseline data for wildlife tree densities in unmanaged CWH, ESSF and ICH forests. This is being used to compare post harvest wildlife tree densities to the pre-harvest conditions.
- Preliminary Assessment of the Effectiveness of Wildlife Tree Retention on Cutblocks Harvested Between 1999 and 2001 under the *Forest Practices Code* — assessment of the biological effectiveness of British Columbia's wildlife tree policies and practices in protecting habitat for wildlife-tree-dependent species. This was the second phase of an earlier study that focussed on assessing the implementation of wildlife tree retention policy in British Columbia.
- Evaluation of Cutblock Sizes Harvested under the *Forest Practices Code* in British Columbia 1996–2002 — this evaluation among other things, determined the range and average size of cutblocks harvested under the *Forest Practices Code*; and identified the trends in use for clearcutting versus partial cutting silvicultural systems from 1996–2002.

Strategy 3: Target applied research activities to support policy development and science-based support for statutory decision-makers.

Significant effort was put into increasing research capacity through partnerships and collaboration with other research providers. Genetics research supported testing of select material in support of gene resource management. Improving access to secure outside funding remains a priority.

* Refer to note on page 3.

Performance Measures and Results for Strategy 3

Performance Measure	Year	Target	Actual	Variance	Result
8. Client satisfaction with applied research completed by the ministry	2004/05	Not measured this year	Not measured this year	N/A	N/A
	2003/04		Not measured in 2003/04		
	2002/03		70%		
	2001/02		N/A		

At the advice of BC Stats, the client satisfaction rating for applied research is determined by a survey of clients every third year. The next survey is scheduled for 2005/06.

In the 2002/03 survey, client satisfaction was 70 per cent. Results of this survey are published at: <http://www.for.gov.bc.ca/research/> *. Clients are internal ministry clients, or client sponsors who assess progress and effectiveness of research within project groups linked by similar objectives. Ministry research activities are considered as a whole for this measure independent of funding source. Funding for research may be from the ministry, the Forest Investment Account, or other external sources.

Objective 3: Ensure that forest and range resources are managed and improved on a sustainable basis.

Managing and improving forest and range resources includes a large variety of activities, some of which are undertaken by the ministry, some by licensees and some by community groups. The strategies below reflect that resources are managed for timber supply planning, reforestation, invasive plants, range management and recreation use. Improvement in the area of seed quality enhances our reforestation efforts significantly.

Strategy 1: Implement the defined forest area management model for volume-based licences.

This strategy was modified during the year, as fully described under "Strategic Shifts."

Strategy 2: Continue to work co-operatively with forest companies to implement timber supply analysis within the defined forest area management model.

2004/05 was the second year of the timber supply review under the defined forest area management (DFAM) process. Under DFAM, licensees have the opportunity to collaboratively complete timber supply analyses for Timber Supply Areas (TSAs) in support of the chief foresters' legislated mandate to determine AACs. Timber supply analysis of six management units (Arrow, Cranbrook, Invermere, Robson Valley, Fort Nelson and North Coast TSAs) was substantially completed in 2004/05. TSR under the DFAM model was also initiated on an additional management unit (Kispiox TSA) in 2004/05. The ministry is also

* Refer to note on page 3.

developing new modelling technologies and analysis tools to support the timber supply review including resource management decisions associated with the ongoing mountain pine beetle infestation. The approach to the implementation of the DFAM initiative changed during 2004/05 (see Strategic Shifts Section) extending the transition period until April 2007.

Strategy 3: Regularly review and determine AACs for forest management units.

Performance Measures and Results for Strategy 3

Performance Measure	Year	Target	Actual	Variance	Result
9. Per cent of timber supply allowable annual cut determinations achieved by their scheduled deadline	2004/05	75%	71%	-4%	Mostly achieved
	2003/04		83%		
	2002/03		80%		
	2001/02		83%		

The Allowable Annual Cut (AAC) for each Timber Supply Area (TSA) and Tree Farm Licence (TFL) is reviewed and determined by the chief forester on a periodic basis, typically at least once every five years. This is a measure of the ministry's rate of success at achieving AAC determination schedules. Prior to 2004/05 the baseline for this performance measure was 80 per cent. Starting in 2004/05 the target was reduced to 75 per cent to reflect the increasing complexity in analyzing timber supply.

In 2004/05 the performance target was mostly achieved. AAC decisions were completed on a total of 12 (71 per cent) out of 17 management units. Completion and release of several postponement reviews and planned AAC determinations were not achieved. This was largely the result of urgent mountain pine beetle related priorities as well as additional consultation activities associated with postponement reviews.

Reviewing the timber supply of management units with severe bark beetle infestations was a major focus in 2004/05. Three expedited reviews and AAC determinations (Quesnel, Lakes and Prince George TSAs) resulted in substantial AAC increases aimed at facilitating management and salvage of bark beetle infested stands.

2004/05 also saw release of a new AAC for Tree Farm Licence 57 (Iisaak Forest Resources Ltd.), The first area-based determination under section 8 of the *Forest Act* and the Tree Farm Licence Area-based Allowable Annual Cut Trial Program Regulation. This trial program is intended to test the efficacy of regulating harvest levels by area rather than volume.

Strategy 4: Ensure prompt reforestation and achievement of free growing obligations on all recently harvested lands:

- By licensees and BC Timber Sales, through legislative requirements,
- By MOF, for Forest Stand Management Fund obligations.

The results of licensee and BC Timber Sales achievements on reforestation are captured in the Compliance and Enforcement core business area performance measure results. Performance on the ministry's obligations under the Forest Stand Management Fund is captured in the performance measure below.

Performance Measures and Results for Strategy 4

Performance Measure	Year	Target	Actual	Variance	Result
10. Per cent achievement of ministry free growing obligations under the Forest Stand Management Fund	2004/05	99%	N/A	N/A	N/A

This was a new measure for 2004/05 representing the ministry's responsibility for enforcing legislative requirements and the licensee's responsibility for reforestation choices.

In 2004/05 there were no areas with a late free-growing due date. The late free-growing due date represents the latest date that a licensee must have areas under their responsibility reforested to a "free growing" stage.

Strategy 5: Develop and implement a strategy to address reforestation on areas lost to fire and pest.

In 2004/05, government created a new Forests For Tomorrow program and is allocating \$86 million over the next three years to reforesting and managing key areas impacted by wildfire and mountain pine beetle.

Strategy 6: Treat critical invasive plant sites through an initial attack program (jointly delivered with public and private partners) to prevent spread of small infestations and develop and apply bio-control agents on larger infestations.

In 2004/05, substantially increased funding was provided to the ministry for treatment of invasive plants as part of a cross-government initiative. Of the approximately 4 437 sites identified as critical invasive plant infestation sites in 2004/05, 7 per cent were able to be treated by biocontrol methods and 40 per cent by herbicide and manual/mechanical methods.

Strategy 7: Meet Forest Genetics Council seed orchard production quality and quantity goals for improved seed production.

Performance Measure and Results for Strategy 7

Performance Measure	Year	Target	Actual	Variance	Result
11. Volume gain (cubic metres per year) of timber available for harvest in 65 years from all ministry tree improvement activities	2004/05	2 080 000	2 386 915	306 915	Exceeded
	2003/04		2 252 961		
	2002/03 (baseline)		1 670 000		

Funding provided by the ministry and the Forest Investment Account has resulted in substantial incremental increases in meeting and exceeding targets for this measure. In 2002/03 the baseline was 1.67 million cubic metres. The measure was tracked internally to Ministry of Forests in 2003/04.

The 2004/05 target, established by the Forest Genetics Council, was exceeded due to higher quantities of select seed seedlings being planted than originally estimated. This will result in areas reforested with select seed yielding greater volumes at harvest than those reforested with wildstand seed.

Strategy 8: Operate seed orchards on a cost recovery basis providing stewardship quality assurance, registration, testing and storage services for Crown land seed at the Tree Seed Centre.

The ministry operates 5 seed production facilities for production of seed of seven tree species. This capacity supplies approximately 42 per cent of the select seed used in Crown land reforestation, contributing an average genetic worth or volume gain of 11 per cent. In 2004/05, the Ministry of Forests received sufficient funding from seed sales to offset costs required to operate the provincial ministry seed orchards. The seed produced met the quality requirements for registration, including quality assurance testing and proper storage.

Strategy 9: Register all seed lots used in Crown land reforestation.

Performance Measure and Results for Strategy 9

Performance Measure	Year	Target	Actual	Variance	Result
12. Per cent of seedlot registration requests to meet sustainable gene resource practices that are completed within 30 days	2004/05	95%	100%	+5%	Achieved

This new measure for 2004/05 tracks the efficiency of MOF staff in responding to licensee and ministry requests for registering tree seed. Seedlots must be registered with the ministry

prior to using them for reforestation on Crown land (seeding or growing seedlings for planting). Registration confirms that a seedlot meets prescribed standards. The achievement of 100 per cent demonstrates that in 2004/05 all eligible seedlots were promptly registered and made available for reforestation purposes.

Strategy 10: Monitor range condition and allowable use levels of rangelands.

Monitoring range condition may lead the ministry to adjust the season and timing of livestock use in certain areas or to restore areas to open forest or grassland. In 2004/05, 12 per cent of 1,749 Range Use Plan areas were monitored for compliance with standards, as planned.

Performance Measure and Results for Strategy 10

Performance Measure	Year	Target	Actual	Variance	Result
13. Area restored to open forest and grassland (hectares)	2004/05	3 585	3 273	-300	Mostly achieved

This was a new measure introduced in 2004/05 to track the work of the ministry in restoring rangelands that have been degraded by invasive plants or in-growth of trees. Areas may be restored through treatments such as partial cutting, controlled burning and biological or chemical control of invasive species.

The accomplishment in 2004/05 was lower than planned due to poor weather in the Northern Interior which prevented a planned range burn.

Strategy 11: Ensure that forage is available to range users through range act tenures.

Performance Measure and Results for Strategy 11

Performance Measure	Year	Target	Actual	Variance	Result
14. Per cent of available Crown range forage under a form of tenure	2004/05	90%	91%	+1%	Achieved
	2003/04		95%		

This is a measure of the effectiveness of the ministry's administration of range available for grazing or haycutting. Forage was made available as planned in 2004/05.

Strategy 12: Focus recreation management on viable partnerships that will maintain recreation sites and trails for public use; and

Strategy 13: Manage sites and trails without partnership agreements as user maintained so that they will remain open to the public. It is expected that sites and trails will be decommissioned and closed where there are high risks to public safety or the environment.

Performance Measure and Results for Strategies 12 and 13

Performance Measure	Year	Target	Actual	Variance	Result
15. Total number of Forest Service Recreation sites and trails available for public use	2004/05	1,189 sites 537 trails	1,260 sites 590 trails	+71 +53	Achieved*

* The increase in recreation sites and trails available for public-use over the target figures represents improved accuracy from consistently applying the definition of a site or trail.

Recreation sites and trails may be managed under partnership agreements with the ministry by First Nations, forest companies, local government, outdoor recreation groups and other parties. Most sites and trails not under partnership agreements will be available for public use as user-maintained. Sites include campgrounds, day-use areas, cabins and other recreation facilities.

The ministry district offices keep detailed statistics of sites and trails by category, i.e., managed under agreement (with or without user fees) and user-maintained. In 2001/02 and 2002/03, the total number of recreation sites and trails managed by the ministry was tracked. The 2003/04 measure represents the transition to a new model of delivery using partnership agreements. In 2004/05, the measure changed again to the total number of recreation sites and trails available for public use, independent of how they are managed.

Core Business 3: Compliance and Enforcement

This core business includes all activities related to upholding B.C.'s laws related to protecting the province's forest and range resources under Ministry of Forests' jurisdiction. This includes:

- enforcing environmental standards for forest and range management carried out both by the government and by forest and range tenure holders under the Forest Practices Code and under the *Forest and Range Practices Act*;
- enforcing regulations to minimize fire, pests, and unauthorized activities that threaten the province's forest and range resources;
- enforcing rules governing the use of Forest Service recreation sites and trails;
- enforcing the revenue policies that govern removal and transportation of timber, marking, scaling, marine log salvage, etc.; and

- combating "forest crimes" (theft, arson, mischief) which are a significant drain on provincial revenue and a significant risk to other environmental, social and economic values.

Key Outcome: *Effective forest protection and management by forest operators.*

Compliance reflects management decisions and actions of forest operators, and is key to the outcome of sustainable forest resources.

Key Outcome Indicator	Year	Projection	Actual	Variance
Per cent of forest operators' compliance with standards that regulate forest practices	2004/05	>94%	91.4%	-2.6%
	2003/04		92.1%	
	2002/03		93%	
	2001/02 (benchmark)		>90%	

Forest operators include all major and BC Timber Sales licensees. Information is from the ministry's Compliance Information Management System. The rate of compliance has consistently been in excess of 90 per cent for the past eight years.

The 91.4 per cent compliance rate in 2004/05 is within the expected normal variation for this measure.

Objective 1: Promote compliance and ensure statutory obligations are enforced.

While part of managing for sustainable forest resources is ensuring that appropriate regulatory requirements are in place, an equally important part is to ensure that forest operators are achieving these statutory obligations. Achieving both objectives will provide confidence that our forest and range resources are being managed sustainably.

Performance Measures and Results for Objective 1

Performance Measure	Year	Target	Actual	Variance	Result
16. Per cent of high and very high priority sites inspected for forest and range practices compliance	2004/05	86%	81.6%	-4.4%	Mostly achieved
	2003/04		82.6%		

Inspections, or site visits, are targeted to very high and high priority sites where environmental and/or social values have been identified as being at high risk.

In 2004/05, the transition to full implementation of the *Forest and Range Practices Act* with five different vintages of forest practices legislation active on the same landbase continued to add complexity and challenge inspection performance. These were: the *Forest Act*, the *Forest Practices Code of British Columbia Act*, the *Forests Statutes Amendment Act (No. 2)*, 2002

(Bill 75), the *Forest and Range Practices Act* (Bill 74), and the code pilot projects established by regulation under Part 10.1 of the *Forest Practices Code of British Columbia Act*.

Performance Measure	Year	Target	Actual	Variance	Result
17. Per cent of alleged compliance contraventions successfully concluded	2004/05	80%	82%	+2.0%	Achieved
	2003/04		84.3%		

Alleged compliance contraventions were successfully concluded as expected during the year. Data for compliance are from the Compliance Information Management System.

The ministry slightly exceeded the target for this measure in 2004/05. The ministry will be re-examining this measure for future changes that more adequately communicate performance objectives.

Performance Measure	Year	Target	Actual	Variance	Result
18. Per cent of alleged enforcement contraventions successfully concluded	2004/05	80%	67%	-13.0%	Mostly achieved
	2003/04		56.6%		

While there are generally less alleged enforcement contraventions than compliance contraventions, these require substantially more work to conclude successfully. In 2003/04 and 2004/05, a significant number of contraventions were noted as taking longer than one year to conclude successfully. In addition, contraventions introduced late in the year cannot be expected to be concluded by year-end. It was acknowledged in the 2003/04 Annual Service Plan Report that since the performance measure requires tracking across multiple reporting years it was costly and time-consuming to maintain and the measure needed to be reviewed.

A review of the measure during 2004/05 resulted in a new measure to track the "per cent of investigations successfully completed within one year of discovery." This measure will be tracked internally to the ministry starting in 2005/06. Using the 2004/05 data with the new measure results in 77.5 per cent of alleged enforcement contravention investigations being successfully completed within one year of discovery. The 2004/05 data reflects a concerted effort by the Ministry to improve the data tracking and systems used in reporting.

Data for enforcement actions are from the Enforcement, Administrative Review and Appeal Tracking System.

Strategy 1: Implement a new compliance and enforcement regime for the *Forest and Range Practices Act* and a new compliance and enforcement regime for pricing and revenue.

In 2004/05, progress on this strategy included:

- All staff have completed training on FRPA and *Forest Act* changes. Training priorities for each level in the organization have been identified within a compliance and enforcement Training Matrix.
- Regional Quality Assurance principles and procedures were implemented during 2004/05. The Provincial Quality Assurance model is under development.
- Special Provincial Constable (SPC) applications were approved by the Solicitor General.
- An approximately 80 per cent completion was achieved on policy development for implementation of an independent/integrated organizational model.
- Assessment of FRPA implementation and new *Forest Act* provisions is ongoing. Resources have been reallocated from forest practices to revenue and forest crimes as required.

Performance Measures and Results for Strategy 1

Performance Measure	Year	Target	Actual	Variance	Result
19. Per cent of high and very high pricing and revenue risk sites inspected for pricing and revenue compliance	2004/05	85%	84.4%	-0.6%	Achieved
	2003/04		83%		

Inspections, or site visits are targeted to very high and high priority sites where social and/or economic values have been identified as being at high risk. Data is from the Compliance Information Management System.

The achievement in 2004/05 is within the acceptable variance for this measure.

Core Business 4: Forest Investment

Achievement of Forest Investment objectives and strategies are accomplished through program activities carried out by licensees under the coordination of third party administrators. Assessment of actual outcomes and outputs from FIA program activities is captured through performance measures identified in the plans and reports associated with the third party administrators.

2004/05 Forest Investment Account (FIA) program highlights, key accomplishments and web links to third party reports are provided in Appendix 2.

Objective 1: Actively foster sustainable forest management.

The objectives under the Forest Investment Core Business are similar but complementary to the Stewardship Core Business objective of "ensuring that forest and range resources

are managed and improved on a sustainable basis." While the Stewardship Core Business objectives focus on regulatory requirements for essential forest management, the Forest Investment Core Business objectives build on these by funding investments in incremental forest management activities.

Key Strategies

1. Acquire better information about forest resources;
2. Improve the modeling of forest dynamics;
3. Foster comprehensive strategic land-use planning;
4. Facilitate science based utilization of the resource;
5. Support the creation of sustainable forest management plans; and
6. Support the feasibility of third party certification.

Objective 2: Improve the public forest asset base.

Key Strategies

1. Support the creation and deployment of improved seedlings and other germplasm;
2. Fund reforestation of areas denuded naturally, or by harvesting before 1987;
3. Reclaim and enhance site productivity; and
4. Restore damaged ecosystems.

Goal 2: Sustainable Forest Benefits

Forestry generates substantial revenues to the provincial government yielding a significant net benefit to the broader public interest and remains a major contributor to B.C.'s current and future economic health. Sustainable forest benefits rely on a strong forest economy and a globally competitive forest sector, which the ministry supports through its forest revitalization policies. The ministry also recognizes the interests of First Nations in accessing forest benefits now and in the future. The following key outcome indicators have been identified as contributing to this goal.

Core Business 5: Pricing and Selling Timber

The Forest Service has a major role in ensuring that the citizens of British Columbia benefit from commercial use of their forests. This relies on a strong forest economy and a competitive forest sector, which in turn is dependent on a fair pricing system, effective allocation and administration of timber harvesting rights, and a safe and cost effective road infrastructure to access timber.

Core business activities to achieve this goal include timber tenure administration, timber pricing, market access activities, maintaining a forest road infrastructure and First Nation's consultation.

Key Outcome: Revenue to the Crown

Key Outcome Indicator	Year	Projection	Actual	Variance
Crown forest gross revenue (\$ billions)	2004/05	\$0.962 B	\$1.321 B	\$.359 B
	2003/04		\$0.987 B	
	2002/03		\$1.296 B	
	2001/02		\$1.164 B	

Crown forest gross revenue is the total amount of money charged by the ministry during the fiscal year (includes BC Timber Sales, Timber Tenures and other MOF revenues). The 2004/05 actual revenue was \$1.321 billion (unaudited) which was \$0.359 billion higher than the original estimate. Table 4 below provides the revenue category details.

This increase in revenue is the result of high commodity prices and high Crown timber harvests through 2004/05.

Table 4: 2004/05 Revenues (unaudited) by Category and Forest Region

Revenue Categories	Coast	N. Interior	S. Interior	Victoria	Totals
(thousands of dollars)					
Timber Tenure Stumpage	\$228,813	\$402,260	\$372,888	(\$1,921)	\$1,002,040
Harvest Rents and Fees	7,247	9,543	9,289	(7,293)	18,786
B.C. Timber Sales	98,390	72,992	95,832	(1,140)	266,074
Export	1,627	282	103	64	2,076
Range	4	484	2,061	(2)	2,547
Waste	2,850	26	3	171	3,050
Penalties	39	0	118	2	159
Interest	370	546	120	302	1,338
Miscellaneous	792	898	42	96	1,828
Softwood Export Tariff Refund				23,611	23,611
Totals	\$340,132	\$487,031	\$480,456	\$13,890	\$1,321,509

Note: Totals may not add due to rounding.

Key Outcome Indicator	Year	Target	Actual	Variance
Crown net revenue from BC Timber Sales (\$ millions)	2004/05	\$121.1 M	\$150.2 M	\$29.1 M
	2003/04		\$101.1 M	
	2002/03		\$143 M	
	2001/02		\$121 M	

Net Revenue (gross revenue net of capitalized expenses) is an indicator of the success of the BC Timber Sales program in generating revenue to the Crown.

With actual gross revenues of \$266.1 million and experienced capitalized expenses of \$115.9 million BC Timber Sales earned net revenues of \$150.2 million in 2004/05 — an over-achievement of \$29 million. This over-achievement was primarily a result of a combination of higher than anticipated billed rates for timber harvested that increased gross revenues and a lower than projected volume of timber harvested during the year which resulted in decreased capitalized expenses. Projected timber volume harvested (scaled) was 11.5 million cubic metres. Actual timber volume scaled in 2004/05 was 10 million cubic metres — 13 per cent less than projected but 27 per cent higher than the previous year.

Gross revenue information is provided by the ministry's Revenue Branch. Capitalized operating costs for the program are reported in the government's Corporate Accounting System (CAS).

Key Outcome: *Access to Export Markets*

The provincial forest sector is highly dependent on exports. The health and diversity of export markets is a good indicator of the strength of the forest economy.

Key Outcome Indicator	Year	Projection	Actual	Variance
British Columbia's share of the U.S. softwood lumber market	2004/05	18.0%	18.1%	+0.1%
	2003/04		18.1%	
	2002/03		17.6%	
	2001/02 (benchmark)		17.0%	

The U.S. is British Columbia's largest customer for softwood lumber. British Columbia's share of the U.S. softwood lumber market is determined from American Forest Products Association (AFPA) statistics on U.S. consumption and the Statistics Canada data on British Columbia and Canadian exports. Statistics for this indicator are updated on a calendar year basis.

U.S. lumber consumption remained high in 2004 at close to 60 billion board feet. U.S. housing starts were the highest on record at 1.956 million units, up 5.8 per cent from 2003. These very strong market conditions are the result of very low borrowing rates, increased incomes, a low inventory of unsold homes, combined with uncertainty and volatility in other investment markets.

B.C. lumber producers managed to maintain their market share in the U.S. despite countervailing duties and the increasing Canadian dollar, through improved productivity.

Key Outcome Indicator	Year	Projection	Actual	Variance
British Columbia's share of Japan softwood lumber imports	2004/05	40%	40%	0%
	2003/04		40%	
	2002/03		43%	
	2001/02 (benchmark)		45%	

Japan is British Columbia's second largest softwood lumber customer. Import volumes are published annually by the Japan Wood Products Information and Research Center. Japanese wood based housing starts have been in a decline since 1998. In previous years, B.C.'s share of lumber imports had been on a decline as a result of increased competition from Northern Europe and Russia. B.C.'s import market share to Japan has however, stabilized, with lumber exports increasing by almost 10 per cent in value in 2004. Statistics for this indicator are updated on a calendar year basis.

Key Outcome indicator	Year	Projection	Actual	Variance
Increase in wood product sales to Taiwan, China and Korea	2004/05	20%	11.3%	-8.7%
	2003/04		34%	

This indicator was added in 2003/04, to track the results of work targeted by the Market Outreach Network under Forest Investment. Increasing wood product sales to Taiwan, China and Korea indicates an expansion into new markets for B.C. wood products. Statistics for this indicator are updated on a calendar year basis using data from Statistics Canada reports of wood exports in dollars. Pulp and paper is not included. China includes Hong Kong.

In 2004/05 the rate of growth for wood product sales slowed in Taiwan and Korea, but continued to increase in China. The result is a growth shortfall of 8.7 percentage points.

Key Outcome: Competitive forest sector

Key Outcome Indicator	Year	Projection	Actual	Variance
Ratio of B.C. forest industry capital investment to depreciation and amortization	2004/05	<1.0	<1.0	0
	2003/04		<1.0	
	2002/03		<1.0	
	2001/02 (benchmark)		<1.0	

This indicator represents the level of investment by forest industry. A ratio less than one indicates that capital is being depreciated, while a ratio greater than one shows that ongoing new investment exceeds the level of depreciation. A healthy level of capital investment is expected in a competitive forest sector.

This information is from PricewaterhouseCoopers; however, they no longer produce the information used to derive this indicator and therefore this is the last year of reporting.

Key Outcome: *Globally competitive forest sector*

Key Outcome Indicator	Year	Projection	Actual	Variance
Percentage increase in forest land certified by major forest certification processes	2004/05	> 10% increase	33%	0
	2003/04		48%	
	2002/03		99%	
	2001/02 (benchmark)		—	

Major forest certification processes are the Canadian Standards Association (CSA), Forest Stewardship Council (FSC) and Sustainable Forest Initiative (SFI). International Standards Organization (ISO) is excluded.

B.C. forest companies continue to obtain certification at a fast growing rate (see Table 5). A combination of reporting dates was used in previous MOF and government reports. Starting in 2003, the data is available only twice a year (in December and June). The data presented here have been adjusted to show a December to December, year over year performance. December was chosen as the reporting date in order to meet government's annual reporting timelines.

Table 5: Area (hectares) in forestland certified by major forest certification processes

Year	Report date	CSA (hectares)	FSC (hectares)	SFI (hectares)	Total hectares certified	Year to year — Per cent increase
2004/05	Dec. 2004	10 830 000	250 984	18 410 550	29 491 534	33%
2003/04	Dec. 2003	10 200 000	100 291	11 840 550	22 140 841	48%
2002/03	Dec. 2002	5 330 000	89 130	9 530 550	14 949 680	99%
2001/02 (benchmark)	Dec. 2001	2 620 000	88 338	4 810 550	7 518 888	—

Objective 1: Maintain access to export markets for B.C. forest products.

Forest product exports represent close to 50 per cent of all goods exported from B.C. Increasing or at a minimum maintaining B.C. forest products export markets is important for maintaining a strong B.C. economy.

Strategy 1: Continue to pursue free access for British Columbia forest products to markets in the United States.

Progress on this strategy in 2004/05:

- The Ministry of Forests continues to pursue free access for British Columbia forest products to markets in the United States. In order to achieve the objective the province is following a two-track strategy that involves litigation and appeals of the U.S. countervailing duties and discussions aimed towards a negotiated resolution of the dispute.
- In addition, in order to diversify forest products exports, the B.C. Government through Forestry Innovation Investment Ltd. is investing in a number of projects, such as the Dream Home China project, that are intended to increase exports of forest products.

Performance Measures and Results

Achievement of this strategy is tracked by the key outcome indicator "B.C.'s share of the U.S. softwood lumber market."

Objective 2: Ensure that the public receives fair value for the use of its forest and range resources now and in the future.

Ensuring the public receives fair value and, therefore sustainable benefits, from the use of forest and range resources, is dependent on a fair timber pricing system.

Strategy 1: Implement a market-based pricing system to generate appropriate revenues to the Crown.

The timing of the implementation of the Interior Market Pricing System is dependent and linked to the outcomes and timelines of the provincial and ministry policy reforms and initiatives (i.e., softwood lumber litigation and negotiations) currently underway.

Performance Measures and Results for Strategy 1

Performance Measure	Year	Target	Actual	Variance	Result
20. Status of implementation of the market based pricing system (MPS)	2004/05	To be determined for Interior	MPS in Interior — readiness in 2005	Target not set for 2004/05, but for 2005/06	N/A
	2003/04		MPS on Coast — Implementation Feb. 29, 2004		
	2002/03		Government decision made on an appropriate system.		
	2001/02		N/A		

The market-based pricing system is expected to increase the competitiveness of the forest industry and provide greater incentives for capital re-investment. It may also lead to greater variability in provincial revenues.

Objective 3: Provide opportunities to generate wealth from the forest resources.

The most significant opportunity to generate wealth from the forest resources is through the effective allocation and administration of timber harvesting rights, most commonly using timber tenures. A current challenge to achieving this objective is the substantial increase in requirements to achieve the disposition plan for harvesting timber killed by bark beetle.

Strategy 1: Ensure that timber apportioned in TSAs is available to licensees through tenure.

Performance Measures and Results for Strategy 1

Performance Measure	Year	Target	Actual	Variance	Result
21. Per cent of Timber Supply Area AAC under a form of tenure	2004/05	90%	88%	-2%	Achieved
	2003/04		94.7%		
	2002/03		97%		
	2001/02		97%		

This is a measure of the effectiveness of the ministry's apportionment of the AAC within a TSA to various programs, and its issuance of tenures under these programs. Tenures are issued under programs such as Forest License and for Community Forest Agreements.

Tree farm licences, woodlot licences and BC Timber Sales tenures are not included. Data is from the Apportionment System.

The slight reduction in achievement is attributed to increased administration needed to make timber available to licensees through tenure due to:

- large AAC uplifts to address the mountain pine beetle epidemic, and
- the reallocation of 20 per cent of the long-term replaceable logging rights from the 27 largest licensees to create new opportunities for new entrepreneurs, small operators and First Nations.

Strategy 2: Implementation of forest policy reform legislation, included:

- i. The recovery, re-apportionment and tenuring of the 20 per cent AAC recovery from major licence holders as provided by the *Forestry Revitalization Act*. As of March 31, 2005, approximately 60 per cent of the volume has been returned to the ministry through Minister's Orders under the *Forestry Revitalization Act* and the remainder is due to be transferred by March 31, 2006. Compensation agreements have been entered into with five of the impacted licensees. A trust to help mitigate negative financial impacts on forestry contractors and workers was also made operational. Re-apportionment and tenuring of the returned volume is expected to take longer than expected and is dependent on client interests and First Nation's consultation requirements.
- ii. The conversion of replaceable Timber Sale Licences to other forms of tenures as provided for by amendments to the *Forest Act*. In accordance with the legislation now in effect, decisions on licensee conversions of replaceable Timber Sale Licences were made as of March 30, 2005.
- iii. Implementation of government approved recommendations from the MLA committee review of the Small-Scale Salvage Program. This included a target of generating sales volumes in excess of 210 000 cubic metres and revenues of at least \$2.5 million in stumpage through the sale of competitive and non-competitively awarded forestry licences-to-cut and the piloting of a number of new salvage-based non-replaceable forest licenses. During 2004/05, mostly as a result of the Mountain Pine Beetle infestation, the Small Scale Salvage Program sold over 2.0 million cubic metres and generated revenues in excess of \$3.7 million in stumpage. In light of this substantial increase and its potential effect on other forest management strategies and revenues, the strategy will be reviewed during 2005/06.
- iv. In addition to invitations to 25 communities to apply for Community Forestry Agreements, three new agreements were issued, two of the existing eight Community Forestry Pilot Agreements were offered long-term licences and two were offered extensions.

Objective 4: Provide a reliable and safe forest road network through legislation, policy and standards.

A reliable, safe and cost effective road infrastructure is critical to accessing timber and providing economic benefits. The Forest Service road infrastructure is also used to access

communities and recreation areas and therefore to provide the benefits associated with local economies and local tourism activities.

Unforeseen weather events and spring freshet can lead to road closures or costly emergency repairs and are significant risks affecting the ministry's ability to achieve this objective. Policy, funding and ongoing reviews are all used to manage the risk, in addition to the strategy of reducing the road infrastructure managed by the ministry.

Strategy 1: Maintain priority Community-Use Forest Service Roads until maintenance responsibility can be transferred.

- Complete the rationalized road maintenance strategy in 2004/05 to prepare for further transfers in 2005/06 and following.
- The Ministry of Forests will maintain 10 000 kms to the Wilderness Forest Road Maintenance Standard. 2 500 kms of this will be maintained by ministry in the short-term to a higher Community-Use Forest Road Maintenance Standard with funding from the Ministry of Transportation's Roads Serving Rural Residence Program.

Performance Measures and Results for Strategy 1

Performance Measure	Year	Target	Actual	Variance	Result
22. Per cent reduction (-) or increase (+) to the non-industrial Forest Service road network	2004/05	0%	-0.9%	-0.9%	Achieved

A reduction to the Forest Service road network may be achieved through transfers of roads to the Ministry of Transportation, other agencies and industry or by closing and deactivating. The forest road network baseline at the end of 2003/04 was approximately 12 500 km. A reduction to the non-industrial road network in 2004/05 of approximately 116 km, was primarily a result of deactivation of old roads in the North Island and the Kootenay Lakes Forest Districts.

The strategy is currently being reviewed, as the non-industrial road network is expected to increase in future years as a result of road transfers to the ministry due to timber reallocation as well as additional roads maintained for recreation access in 2005/06.

Objective 5: Increase First Nation participation in the forest sector and ensure forestry operations respect First Nation interests on the land-base.

The objective of increasing First Nation participation in the forest sector acknowledges that First Nation communities are largely rural or forest based, that First Nations often have an interest in increasing their participation in the forest sector, and that government has a legal obligation to consult and seek to accommodate potential infringements of asserted aboriginal interests regarding forestry decisions and actions on Crown forest land.

Strategy 1: Consult with First Nations in accordance with legal obligations.**Strategy 2: Negotiate agreements with First Nations:**

- Implement the First Nations Forest Strategy (FNFS) offering access to economic forest benefits to First Nations through accommodation agreements. This is a three-year strategy with up to one-third of the province's First Nations engaged each year.
- Increase First Nations participation in the Forest Sector through direct award tenures. Timber volume will become available for award to First Nations through the timber reallocation as a result of the *Forestry Revitalization Act*.

Performance Measures and Results for Strategies 1 and 2

Performance Measure	Year	Target	Actual	Variance	Result
23. Total number of accommodation agreements signed with First Nations (cumulative)	2004/05	30-50	47	0	Achieved
	2003/04		22		

Accommodation agreements provide a period of stability for forest and range resource development. They include the provision of economic benefits in the form of tenure and revenue sharing as well as consultative arrangements that define an agreed upon process between the ministry and a First Nation for consulting on and addressing aboriginal interests.

In 2004/05, 25 agreements were signed, bringing the cumulative total to 47 agreements. These agreements commit the ministry to make available to First Nations approximately 8.9 million cubic metres of timber volume and a total of \$100.4 million in revenue sharing, over the terms of the agreements. The majority of agreements are for five years.

The targets for the number of accommodation agreements to be signed were adjusted in 2004/05 to reflect that negotiations with First Nations were taking longer than expected and that in some areas of the province First Nations have little interest in pursuing these agreements with government. The ministry was able to achieve the high end of the 2004/05 target range.

Performance Measure	Year	Target	Actual	Variance	Result
24. Number of tenures offered to First Nations	2004/05	20-30	51	+21	Exceeded
	2003/04		32		

Under the *Forest Act*, the minister may invite, without competition, applications from First Nations for a forest tenure. The criterion measures the number of invitations from the minister, including tenures offered through accommodation agreements under the First Nations Forest Strategy.

In 2004/05, this measure was overachieved, reflecting the tenures offered as a result of signed Forest and Range accommodation agreements, as well as invitations made in furtherance of interim measure agreements, treaty related measures, or economic measures agreement between the First Nation and the province.

Core Business 6: BC Timber Sales

The Forest Service has a core responsibility to provide British Columbians with benefits from the commercial use of public forests. BC Timber Sales is an autonomous organization within the ministry, with financial and operational independence from regional and district operations. The division has an integral role in the implementation of government's Forestry Revitalization Plan and supports the ministry's goal of providing British Columbians with sustainable benefits from the commercial use of public forests.

BC Timber Sales does this by planning, developing, and selling through auction, a substantial and representative portion of the province's annual available timber volume. The bid prices received from auctioned timber drive the Market-based Pricing System for setting stumpage in coastal operating areas of the province. Over time, the program's costs of developing timber will also provide data for the Tenure Obligation Adjustment, another integral part of the pricing system.

Objectives

1. Provide a credible reference point for costs and pricing of timber harvested from public land in British Columbia.
2. To optimize net revenue to the province, within the parameters dictated by our benchmarking mandate and sound forest management.
3. Provide opportunities for customers to purchase timber in an open and competitive market.

BC Timber Sales seeks a balance between generating revenues, being a credible reference point, and providing opportunities for customers to purchase timber, while ensuring sound forest management practices.

Objective 1 is key to the ministry achieving its goal of Sustainable Forest Benefits by establishing a market price for Crown timber. BC Timber Sales contributes to this ministry goal by being a credible reference point for the ministry's Market-based Pricing System for costs and pricing of timber harvested from public land in British Columbia.

BC Timber Sales uses the "per cent of total provincial annual scaled timber volume attributable to BC Timber Sales Section 20 auction sales" as an indicator of its success in achieving a sufficient market presence to be a credible reference point for costs and pricing of timber harvested. In 2004/05 this per cent was 11 per cent compared to 8.3 per cent in 2003/04, a 33 per cent increase.

Objective 2 supports government and the ministry as major contributors to the current and future economic health of the province. Net revenue is a key outcome indicator of

the success of BC Timber Sales in optimizing revenue return to the Province. In 2004/05 BC Timber Sales earned net revenue of \$156 million compared to \$101 million in 2003/04, a 54 per cent increase.

Objective 3 supports a strong forest economy and competitive forest sector. The timber volume offered for sale by BC Timber Sales indicates the program's success in providing opportunities for customers to acquire timber. In 2004/05 BC Timber Sales offered 12.8 million cubic metres of timber to the market compared to 11.2 million cubic metres in 2003/04, a 14 per cent increase.

Key Strategies

In 2004/05 BC Timber Sales made significant progress implementing strategies to support the achievement of objectives. Since its inception April 1, 2003 BC Timber Sales has continued to grow and mature in support of government and ministry objectives and the Forestry Revitalization Plan (FRP).

Program volumes:

- As part of the FRP and to address pricing requirements BC Timber Sales is increasing its volume towards representing 20 per cent of provincial allowable annual cut by 2007. In 2004/05, BC Timber Sales' timber volume advertised as a per cent of the provincial Allowable Annual Cut was 14 per cent. As the volume re-allocated from the major tenure holders is provided to the program to develop and auction BC Timber Sales is continuing to develop more timber inventory, and offer and sell greater volumes of timber.

Legislative reform:

- Legislation has been brought into force to enhance the rate of harvest and revenue return to the Crown and transform BC Timber Sales into an auction business only to ensure full market value is bid for all timber sold.

Marketing strategies:

- As part of an ongoing strategy to improve electronic access to services BC Timber Sales redesigned its public website to improve its functionality and provide better information to stakeholders and the public. Plans to explore E-commerce applications for timber sales transactions on the web in fiscal 2004/05 were deferred for operational reasons but are still a significant strategy in BC Timber Sales 2005/06 - 2007/08 Service Plan.
- BC Timber Sales continued to make substantial progress towards the achievement of its strategy to certify operations to support market access and forest stewardship. In total, five BC Timber Sales business areas have now achieved ISO 14001 Certification. Seaward-Tlata, Strait of Georgia, Okanagan-Columbia, and Peace Liard all had successful registration audits in 2004/05 and joined the Chinook business area in holding ISO 14001 Certificates. In addition, the Fort Nelson Field Team of the Peace Liard business area achieved CSA certification and a number of other business areas are at various stages of investigating or pursuing SFM certification.
- As part of its strategy to reduce risk and uncertainty from bidders and increase revenue return to the Crown 89 per cent of all volume offered in 2004/05 was fully developed.

- BC Timber Sales continued to offer a range of timber sales to customers. In 2004/05, 95 per cent of the volume offered was advertised to ensure that all bidders had a fair chance to bid openly for timber.

Financial and Internal strategies:

- Implementation and integration of BC Timber Sales' Cost Accounting and Genus Resource Management systems into program business and operational processes continued to make progress in 2004/05. BC Timber Sales began full account coding of its direct costs to project codes (cut blocks and roads) in the government's Corporate Accounting System April 1, 2004. Further allocation of indirect and pooled costs to project codes is planned with the implementation of a BC Timber Sales cost accounting database system in 2005/06.
- BC Timber Sales continued to streamline operations in 2004/05 through the application of continuous improvement principles and the standardization of procedures generating significant budgetary savings for government.

*For more information on BC Timber Sales goals, objectives, strategies and performance results please view the 2004/05 BC Timber Sales' Annual Service Plan Report on its website at <http://www.for.gov.bc.ca/bcts> *.*

Performance Measures and Results

Performance Measure	Year	Target	Actual	Variance	Result
25. Average cost per cubic metre of volume developed	2004/05	\$10.54 per m ³	\$8.57 per m ³	(\$1.97) per m ³	Exceeded

The average inventory cost per cubic metre of volume developed is a measure of BC Timber Sales' performance in containing costs, providing a credible reference point for costs and pricing of timber, and optimizing net revenue. Inventory costs include all costs incurred to plan, develop and sell timber. Period costs such as administrative overhead and road maintenance, and post-harvest costs such as silviculture are not part of the cost of inventory.

Contracting efficiencies and other operational cost containment strategies during the year contributed to the achievement of significant budget savings which, combined with a an over-achievement in the volume of timber developed in 2004/05 resulted in BC Timber Sales over-achieving its target by 20 per cent. This over-achievement will contribute to lower capitalized expenses and higher net revenues in future years when this timber inventory is sold and harvested.

This was a new measure in 2004/05 replacing the previous "average cost per cubic metre of volume sold". The change from volume sold to volume developed is to reflect that the majority of costs are incurred during the development of a timber sale rather than later when the sale is sold.

* Refer to note on page 3.

Performance Measure	Year	Target	Actual	Variance	Result
26. Per cent of sales fully developed	2004/05	90%	89.4%	-0.6%	Achieved

The per cent of sales fully developed is a measure of BC Timber Sales' success towards the achievement of its strategy to reduce licensee risk associated with purchasing timber sales. The more developed a sale is when it is offered for sale the lower the risk to potential bidders. In 2004/05 BC Timber Sales achieved its target of 90 per cent of timber volume advertised during the year is fully developed.

Performance Measure	Year	Target	Actual	Variance	Result
27. Per cent of volume advertised for sale	2004/05	100%	95.1%	-4.9%	Achieved
	2003/04		104%		
	2002/03		99%		
	2001/02		97%		

The per cent of volume advertised competitively is a measure of BC Timber Sales' success in providing opportunities for customers to purchase timber in an open and competitive market. The measure is the total volume advertised for sale divided by the total volume offered for sale to the market. BC Timber Sales achieved its target within five per cent.

Performance Measure	Year	Target	Actual	Variance	Result
28. Volume offered for sale (Million m ³)	2004/05	11.8	12.8	1.0	Exceeded

The volume offered for sale indicates BC Timber Sales' success in providing opportunities for customers to purchase timber. BC Timber Sales exceeded its volume offered target in 2004/05.

Performance Measure	Year	Target	Actual	Variance	Result
29. Volume sold (Million m ³)	2004/05	11.5	11.3	-0.2	Achieved

The volume of timber sold indicates BC Timber Sales' success in providing economically viable opportunities for customers. In 2004/05 the volume sold was 98 per cent of target.

Performance Measure	Year	Target	Actual	Variance	Result
30. Instances of significant non-compliance with the <i>Forest and Range Practices Act</i>	2004/05	0	0	0	Achieved
	2003/04		1		

This measure is used to show BC Timber Sales' success in practicing sound forest management. There were no instances of non-compliance noted by the Forest Practices Board in 2004/05.

Core Business 4: Forest Investment

The Forest Investment Account provides support to improve British Columbia forest sector performance in existing and new markets through international marketing initiatives and enhance sector competitiveness through the development of new products and manufacturing process improvement.

Forestry Innovation Investment Ltd. is the third party administrator responsible for overseeing the marketing and product development programs, for developing an independent Service Plan and an Annual Service Plan Report, as required by the Crown Agency Secretariat.

Goal 3: Effective and Responsive Forest Manager

While undertaking the many challenges and opportunities involved in revitalizing the Ministry of Forests as an organization, we will bear in mind that our core purpose is to ensure that sustainable forest resources deliver sustainable forest benefits for the people of British Columbia. The effectiveness of our organization continues to be dependent upon highly trained and knowledgeable staff who are responsive and performance-focused.

Key Outcome: Public Trust in the BC Forest Service

Key Outcome Indicator	Year	Projection	Actual	Variance
Percentage of those surveyed who believe the forest service can be trusted to protect and manage our public forests	2004/05	> 60%	52%	-8%
	2003/04		Not measured in 2003/04	
	2002/03 (benchmark)		60%	

Public trust in the BC Forest Service is measured every two years through a telephone survey of one thousand British Columbians selected through random sampling methodology. In addition to measuring public trust, the survey identifies public perceptions of Forest Service effectiveness and assesses public values and attitudes toward forest management.

Results from the 2004 survey indicated that 52 per cent of British Columbians trust the Forest Service to manage and protect Crown forests for the long-term. This result is eight percentage points lower than the 2002 baseline of 60 per cent. Survey results also suggested that 69 per cent of British Columbians believe the Forest Service is an effective forest manager, a 4 per cent decrease from 2002 results. This decline was related primarily to perceptions of forest service effectiveness with forest fire protection and the control of forest pests and diseases. The 2004 results also showed a significant increase in the number of British Columbians who perceived the Forest Service to be effective in reforestation.

Core Business 7: Executive and Support Services

This core business includes corporate governance process and service delivery activities in support of all ministry functions.

Key clients for the strategic policy and governance aspect are the Executive, Minister and Cabinet. Activities are structured within key frameworks for policy and legislation development, performance management, internal audit and evaluation, and litigation support. Executive, regional and district management, and staff in the Corporate Policy and Governance Division play a key role in delivery of these functions.

Support service activities include finance and administration, human resources, central infrastructure management, Freedom of Information, records management, continuous improvement and best practices initiatives, as well as application of information technology. These services are delivered at all levels of the organization — branch, region and district. While focused at supporting internal management and employees, they also serve industry and the general public.

Objective 1: Establish ministry policy and planning frameworks to meet government's strategic plan and direction.

An effective and responsive government organization ensures policy and planning work will guide achievement of corporate objectives.

Strategy 1: Implement policy and planning frameworks. In 2004/05 policy and planning frameworks will be established.

In 2004/05 policy teams supported key ministry policy initiatives including market-based pricing in the Interior, Mountain Pine Beetle Action Plan, and Defined Forest Area Management. In addition, a review of the ministry's policy planning process was initiated and a redesign of the ministry's legislation program was completed.

With respect to planning frameworks, the Performance Management framework was fully established with the pilot of an evaluation component and full use of the MAX online performance and budget planning system.

Strategy 2: Provide legislative support to the other core businesses who will be implementing the Forestry Revitalization Plan and the *Forest and Range Practices Act*; continuing the deregulation initiative; and addressing any critical operational issues.

Performance Measures and Results for Strategy 2

Performance Measure	Year	Target	Actual	Variance	Result
31. Delivery of the ministry's legislation program	2004/05	• Implement <i>Forest and Range Practices Act</i> and Regulations • Implement Forest Revitalization legislation • Update <i>Range Act</i> • Ongoing Deregulation	All completed	0	Achieved

The ministry's Legislation Program ensures delivery of key legislation needed to facilitate forest policy changes.

In 2004/05, the ministry continued to focus on implementation of the significant legislation introduced in 2003/04 through the introduction and passage of Bill 33, *Forests Statutes Amendment Act, 2004*, and Bill 65, *Forests Statutes Amendment Act (No. 2), 2004*. These Bills included amendments to the *Forest Act*, *Forest and Range Practices Act* and *Forestry Revitalization Act* to, among other things,

- enable an expansion of the programs related to small scale salvage, woodlot licences and community forest agreements,
- facilitate the issuance of tenures to harvest beetle infested timber, and
- improve the means by which timber volume is taken back and redistributed under the Forestry Revitalization Plan.

In addition two new acts were tabled and later brought into force with their regulations:

- *Wildfire Act* (Bill 25) and *Wildfire Act Regulation*, and
- *Range Act, 2004* (Bill 57) and *Range Regulation*.

In December 2004, the first significant amendments to the *Forest and Range Practices Act* regulations were made.

As the ministry's deregulation target was exceeded in 2003/04, all new legislation is now developed in keeping with Government's new "SMART" regulation focus and maintaining a 0 per cent increase in regulatory requirements.

Strategy 3: Review and implement an Enterprise Risk Management framework for the Ministry of Forests.

An Enterprise Risk Management framework was successfully piloted with the development of the 2005/06 Service Plan.

Objective 2: Be a high performing organization.

A high performing organization is client and performance focused, depends upon highly trained and knowledgeable staff and uses technology to its advantage.

Strategy 1: Refine ministry business processes and practices to meet the highest standards of efficiency and effectiveness.

Over the past year 600 ministry employees from around the province were introduced to continuous improvement (CI) tools to assist in refining ministry processes. The ministry will continue to ensure that sufficient capacity and depth of these CI skills and competencies are in place to help the ministry manage changes to our business and/or organizational structures.

Strategy 2: Implement a culture of being a continually learning organization.

The ministry initiated activities towards becoming a continually learning organization, including making this one of the five foundational goals of the ministry's Road Ahead revitalization strategy. In addition, the ministry planned staff workshops for 2005/06 to support a learning organization, and identified internal performance measures to further track our progress on this initiative.

Strategy 3: Develop a client service strategy.

In 2004/05, Corporate Policy and Governance Division initiated discussions to further emphasize a focus on excellence in client service. A baseline needs assessment was needed to inform the client service strategy being developed and a client satisfaction survey was commenced with the goal of having an analysis completed by June 2005 so that strategies can be developed and implemented as soon as possible in 2005/06.

Strategy 4: Maximize the benefits derived from the application of technology to ministry business — Implement Portal/eBC.

With respect to implementation of eBC in the Ministry of Forests, 99.9 per cent of Scale Return Sites are now being handled electronically and all Cutting Permit requests and Silviculture Obligations will be received electronically by June 1, 2005.

Performance Measures and Results for Strategy 4

Performance Measure	Year	Target	Actual	Variance	Result
32. Increase in the number of major client services available electronically	2004/05	4	4	0	Achieved
	2003/04		3		
	2002/03		3		
	2001/02		N/A		

Electronic services are those provided to external clients via an internet link. The baseline in 2003/04 was a total of three client services available electronically. These were the automated transmission of appraisal data from licensees (ECAS), the automation of seed requests from the tree seed center (SPAR), and the automation of billing inputs in the Harvest Billing system (HBS).

The 4 client services added in 2004/05 were: The Electronic Submission Framework (ESF), RESULTS (the Reporting Silviculture Updates and Landstatus Tracking System), the Corporate Reporting System (CRS) and the Seed Planning Web Mapping System (Seedmap).

Core Business 4: Forest Investment

Under Goal 3, the Forest Investment Core Business of the Ministry of Forests addresses overall administration of the Forest Investment Account and agreements with third-party Administrators. This includes:

- implementing the recommendations of the forest investment council;
- overseeing service agreements with all third-party administrators;
- implementing program delivery processes; maintaining and administering eligibility criteria and standards for all ministry FIA activities;
- managing storage and availability of deliverables generated by FIA activities; and
- evaluating efficacy of the programs to meet FIA and ministry objectives.

Key Outcome: *Effective Administration of the Forest Investment Account (FIA)*

Key Outcome Indicator	Year	Projection	Actual	Variance
Third party administrator performance targets achieved	2004/05	95%	90.9%	-4.1%

This measure introduced in 2004/05 is based on the number of performance targets developed by FIA third party administrators (PricewaterhouseCoopers, Federation of B.C. Woodlot Associations, and Forestry Innovation Investment Ltd.). Achievement is defined as within 85 per cent of target.

In 2004/05, third party administrators achieved 20 of 22 performance targets. Neither PricewaterhouseCoopers nor the Federation of B.C. Woodlot Associations achieved the performance target of an average of five business days from project approval to issuance of payment. In both instances, an average of nine business days was reported. The difference is largely attributed to delays in meeting administrative obligations on the part of the funding recipients.

The ministry will be reviewing the performance targets based on the 2004/05 results.

Objective 1: Ongoing improvement to the effectiveness and efficiency of FIA delivery.

Competent administration of large complex programs such as Forest Investment ensures that program objectives under the other ministry goals are achieved and is an indication of an effective organization.

Strategy 1: Administer and fund the Defined Forest Area Management (DFAM) forest health and timber supply review activities through a second transition year.

In 2004/05, FIA provided funding through the Land Base Investment Program for the core activities under the DFAM initiative. A total of approximately \$6.7 million was expended towards forest health and timber supply activities throughout the province.

Strategy 2: Shift administration of the Research program from Forestry Innovation Investment Ltd. (FII) to a new administrator.

The transition from FII Ltd. to a new administrator was completed in 2004/05. After a competitive process the Ministry of Forests selected PricewaterhouseCoopers LLP as the new administrator for the Forest Science Program. A Forest Science Board was also established by the Deputy Minister of Forests to provide advice on program strategies and priorities. The Forest Science Board is comprised of both users and providers of scientific knowledge, with members from industry, governments, and the forest science community. A strategic plan (FIA — Forest Science Program, Strategic Plan 2004–2008) and business plan for the forest science program was developed in 2004/05.

Strategy 3: Effective process for the review and award of research proposals.

A two-stage process was developed for the Forest Science Program. In the first stage, proponents submit a letter of intent giving a brief summary of their project. The Letters of Intent are then reviewed for relevance to the strategic goals of the program. Successful proponents were requested to submit full proposals, which are evaluated for scientific merit. In 2004/05, of the 354 Letters of Intent submitted, 109 projects were approved for funding.

Strategy 4: Review and evaluate FIA program activities to maximize the efficacy of the deliverables in meeting FIA and ministry objectives.

Performance Measures and Results for Strategy 4

Performance Measure	Year	Target	Actual	Variance	Result
33. Regular evaluation of value gained from FIA investments	2004/05	Value for money audit by OCG	Audit will be completed in 2005/06	Audit not completed in 2004/05	Target missed

This audit will be carried out by the Office of the Comptroller General, Internal Audit and Advisory Services.

The complexity of the evaluation required a longer time than expected to establish the terms of reference. Required field work is now underway and the final audit report is targeted for completion at the end of July 2005.

Performance Measure	Year	Target	Actual	Variance	Result
34. Per cent of FIA activity standards evaluated	2004/05	60%	60%	0	Achieved

The target is based on the evaluation of all standards administered by the Ministry of Forests, over a three-year period commencing in 2003/04.

The activity standards were evaluated as planned for the year. The focus of the evaluation was on standards associated with activities eligible under the Land Base Investment Program. The purpose of the evaluations is to ensure that the standards are adequately serving the activity/program needs.

Strategy 5: Improve the delivery model through ongoing consultation with proponents.

In an ongoing effort to maintain contact and discussions with FIA funding recipients, three meetings (in Prince George, Kelowna and Nanaimo) were held. The objectives of the meetings were to provide an update and to solicit feedback on the FIA.

Deregulation

The target of reducing regulation by one third over three years (by June 2004) was part of the Government's *New Era* commitments to streamlining government.

Performance Measure	Year	Target	Actual	Variance	Result
7. Per cent of forestry deregulation achieved	2004/05	33%	56%	+17%	Exceeded
	2003/04		50%		
	2002/03		3%		
	2001/02		N/A		

Deregulation is cumulative from the 2001/02 baseline. The one-third target was exceeded by 17 per cent in 2003/04. At June 1, 2004, the Ministry of Forests' count on regulatory requirements was 9,155 and this has been further reduced by 6 per cent as of March 31, 2005. The Ministry of Forests will continue to review its legislation to look for further regulation reduction and reform opportunities in the future. Over the next three years the goal is to maintain the regulatory requirements at or below the June 2004 baseline (0 per cent increase).

Report on Resources

The Ministry of Forests estimates for 2004/05 were \$529.582 million. During the year, the ministry received additional funding for direct fire-fighting costs due to the severity of the fire season, and for funding reforestation activities and compensation payments. Total authorized estimates for the year were \$736.303 million.

At the end of 2004/05, the Ministry of Forests was under-expended by \$2.4 million, or less than one per cent of the total approved expenditures. The breakdown of expenditures by the three ministry goals is shown below.

Funding for the ministry is provided in the Ministry Operations Vote of the legislature and three special accounts (BC Timber Sales, the Forest Stand Management Fund (FSMF) and the South Moresby Forest Replacement Account (SMFRA). The SMFRA expenditures are under the oversight of a joint federal — provincial management committee. Forest Investment expenditures are overseen by a Forest Investment Council.

2004/05 Expense Breakdown by Goal



Goal	Per cent of Expenditures	Funding Source (Vote or Special Account)	Core Business
Sustainable Forest Resources	48%	• Ministry Operations Vote	• Forest Protection • Stewardship • Compliance and Enforcement • Forest Investment
		• FSMF (special account)	• Stewardship
		• SMFRA (special account)	• Stewardship
Sustainable Forest Benefits	42%	• Ministry Operations Vote	• Pricing and Selling the Timber
		• BC Timber Sales (special account)	• BC Timber Sales
Effective and Responsive Forest Manager	10%	• Ministry Operations Vote	• Executive and Support Services • Forest Investment

2004/05 Resource Summary

	Estimated ¹	Other Authorizations ²	Total Estimated	Actual	Variance
Operating Expenses (\$000)					
Forest Protection	91,536	109,357	200,893	210,161	9,269
Stewardship of Forest Resources	43,197	13,297	56,494	50,885	(5,609)
Compliance and Enforcement	27,044	0,000	27,044	26,418	(626)
Pricing and Selling Timber	99,340	100,000	199,340	186,485	(12,855)
BC Timber Sales	131,800	(15,932)	115,868	115,868	0
Executive and Support Services	51,665	0	51,665	64,786	13,121
Forest Investment	85,000	0	85,000	79,230	(5,770)
Total	529,582	206,721	736,303	733,833	(2,470)
Full-time Equivalents (Direct FTEs)					
Forest Protection	626	58	684	741	57
Stewardship of Forest Resources	367	—	367	417	50
Compliance and Enforcement	292	—	292	292	0
Pricing and Selling Timber	663	—	663	690	27
BC Timber Sales	529	—	529	523	(6)
Executive and Support Services	461	—	461	534	73
Forest Investment	4	—	4	4	0
Total	2,942	58	3,000	3,201	201

¹ Estimates as presented to the Legislative Assembly on February 17, 2004.

² Other authorization during the year included:

- Forest Protection: Statutory authority to overspend for Direct Fire;
- Stewardship of Forest Resources: \$12.5 M for reforestation for Forests for Tomorrow; and \$ 797 M additional expense authority for Forest Stand Management Fund;
- Pricing and Selling Timber: \$50 M for Transition Assistance, and \$50 M for Compensation for Harvesting Rights; and
- BC Timber Sales operating expenses are its capitalized expenses which are the total costs associated with: developing and selling the timber that was harvested in the year; plus post-sale activities such as harvest conformance and post-harvest activities such as silviculture, road and bridge maintenance and deactivation; and, other current period costs such as administrative overhead. The \$15.932 million represents the cost savings realized on the timber volume harvested in the year.

	Estimated ¹	Other Authorizations ²	Total Estimated	Actual	Variance
Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000)					
Forest Protection	2,430	—	2,430	2,136	(294)
Stewardship of Forest Resources	2,498	—	2,498	2,195	(303)
Compliance and Enforcement	1,911	—	1,911	1,680	(231)
Pricing and Selling Timber	3,848	—	3,848	3,382	(466)
BC Timber Sales	990	—	990	(423)	(1,413)
Executive and Support Services	1,383	—	1,383	1,215	(168)
Forest Investment	0	—	0	0	
Total	13,060	0,000	13,060	10,185	(2,875)
Other Financing Transactions (\$000)					
BC Timber Sales — Disbursements	72,491	0,000	72,491	65,072	(7,419)

¹ Estimates as presented to the Legislative Assembly on February 17, 2004.

² Other authorization during the year included:

- Forest Protection: Statutory authority to overspend for Direct Fire;
- Stewardship of Forest Resources: \$12.5 M for reforestation for Forests for Tomorrow; and \$ 797 M additional expense authority for Forest Stand Management Fund;
- Pricing and Selling Timber: \$50 M for Transition Assistance, and \$50 M for Compensation for Harvesting Rights; and
- BC Timber Sales operating expenses are its capitalized expenses which are the total costs associated with: developing and selling the timber that was harvested in the year; plus post-sale activities such as harvest conformance and post-harvest activities such as silviculture, road & bridge maintenance and deactivation; and, other current period costs such as administrative overhead. The \$15.932 million represents the cost savings realized on the timber volume harvested in the year.

Explanations and Comments

The ministry approved the redistribution of some resources during the year to respond to changing operational requirements. These included:

Forest Protection

The ministry received statutory approval to overspend on fire protection activities. The ministry continued to implement the recommendations contained in the *Firestorm 2003 Provincial Review* by Gary Filmon. In 2004/05 the ministry hired seven additional unit crews, contracted two additional airtankers and promoted fuel management in communities.

The mountain pine beetle epidemic in Central British Columbia is continuing to grow; the ministry spent an additional \$1.4 million in forest health activities to address this issue.

Stewardship

Delays in the start up of the new Forests for Tomorrow reforestation program resulted in surpluses under the Stewardship core business. In addition, surpluses from the South Moresby Forest Replacement Account were a result of pending approvals from the Government of Canada linked to transfer of the fund to local control.

The only significant year over year change in the ministry's resourcing between 2003/04 and 2004/05 were expenditures related to the introduction of the Forests for Tomorrow Program. This program will have a significant impact on the ministry's ability to respond to the Mountain Pine Beetle in future years, however expenditures in 2004/05 were relatively minor as the program was introduced late in the fiscal year.

Pricing and Selling the Timber

Surpluses resulted from prolonged negotiation of First Nations forest and range agreements. Negotiations are continuing and additional agreements are expected to be signed in 2005/06.

Forest Investment

The Forest Investment Account surplus relates to a change in capitalization policy affecting the International Marketing Program, Dream Home China project, cost savings in project implementation and environmental constraints that did not allow for full utilization of project funds.

Executive and Support Services

Additional expenditures were required to address several ministry initiatives: increased legal costs, upgrade of the ministry radio systems to meet federal regulation standards, increased systems costs to address revenue issues, implementation of forest policy changes and increased costs for the ministry's portion of government's shared services costs.

Capital

The BC Timber Sales special account realized a \$1.413 million surplus in capital expenditures as a result of a prior period cost adjustment. This surplus was not available for redistribution.

Appendix 1: Legislation

The main statutes for which the Forest Service has responsibility are as follows:

Forest and Range Practices Act

In January 2004, the *Forest and Range Practices Act* and its regulations were brought into force, enabling forest and range licensees to move to a more results-based regime for forest and range practices. Licensees will have until December 2006 to operate under the old *Forest Practices Code* or switch to the streamlined *Forest and Range Practices Act*. The new results-based code will promote innovation and reduce red tape while upholding environmental standards.

Both forest and range practices regimes enable the Forest Service to:

- establish stewardship standards for forest and range practices;
- ensure that the legislated requirements for sustainable forest and range practices are followed;
- meet the requirements for resource objectives established through strategic planning; and
- carry out compliance and enforcement activities to ensure stewardship standards are met.

Forest Act

The *Forest Act* provides the Forest Service with the authority to:

- determine an allowable annual cut for Crown land in each timber supply area and for each tree farm licence area, woodlot licence area and community forest agreement area;
- enter into and administer agreements that authorize timber harvesting, generating revenue to the government;
- establish requirements for timber marking and scaling, and to regulate marine log salvage;
- requires Crown timber, and specified private timber, to be used or manufactured in the province unless exempted by an order in council;
- enter into road permits and road use permits for access to Crown timber, and to build and administer forest service roads; and
- establish designated areas to protect forest land pending land use decisions.

Ministry of Forests Act

The *Ministry of Forests Act* continues the Forest Service and provides it with a broad and general mandate to:

1. encourage maximum resource productivity;
2. manage resources responsibly to achieve the greatest short and long-term social benefits;

3. practice planned, integrated resource management and use;
4. encourage a globally competitive forest industry; and
5. assert the financial interest of the government.

Range Act

A new *Range Act* was tabled in October 2004 and brought into force on March 31, 2005. The new *Range Act* authorizes the Forest Service to allocate and administer the use of range resources by the livestock industry through grazing and hay cutting agreements that provide revenue to the government. The new Act contains measures to improve the management of Crown range resources and provides greater security to range tenure holders. Protection of Crown range is enhanced by the ability to better restrict use when conditions such as drought could result in damage to the range. The amount of forage allocated to a range agreement can also be increased when growing conditions are favourable. Other changes include the ability to issue agreements to First Nations for treaty-related purposes or interim measures, and significantly streamlining the transfer provisions of the Act.

Wildfire Act

On March 31, 2005 the *Wildfire Act* replaced the forest fire prevention and suppression provisions of the *Forest Practices Code of British Columbia Act* by moving them into a stand-alone act, and more clearly defining specific responsibilities of all users of the forest with respect to fire. The new Act and its regulation are more results-based and provides greater operational flexibility for industrial users. It fulfills recommendations from the Firestorm 2003 Provincial Review to strengthen wildfire prevention and suppression for the safety and security of communities in British Columbia. The new Act will still ensure that government retains the authority to fight any fire that threatens forest and range resources and to restrict access, limit operations and requisition equipment and personnel in the event of significant fire activity.

Forestry Revitalization Act

The *Forestry Revitalization Act* is an integral part of government's forestry revitalization plan. The plan will open up opportunities in both forest management and wood processing sectors and create a more diversified and innovative forest sector.

The Act enables the government to take back 20 per cent of the long-term replaceable logging rights from major licensees to be reallocated to BC Timber Sales, communities, First Nations, woodlot owners and entrepreneurs. As a result of these and other changes, up to 45 per cent of the province's total harvest will eventually be available through the open market. The Act also sets aside funding for the transition to the new, stronger forest economy. Forest workers and contractors will have access to a trust fund for transition assistance. As well, the Act provides compensation to forest companies for the legal harvesting rights removed from their allowable annual cuts.

Forest Practices Code of British Columbia Act

Much of the *Forest Practices Code of British Columbia Act* has been repealed as a result of the implementation of the *Forest and Range Practices Act* and the *Wildfire Act*. The remaining provisions of the *Forest Practices Code of British Columbia Act* relate to the

- establishment of resource objectives for forest and range tenure holders (which will be replaced by amendments to the *Land Act* that have not yet been brought into force),
- issuance of special use permits to permit the use and occupation of Crown land for forestry purposes, and
- continuation of the Forest Appeals Commission, and its operation.

Appendix 2: Forest Investment Account

Forest Investment Account Overview

The Forest Investment Account (FIA) is a forest-sector investment model led by government, established to deliver the provincial government's forest investment in an accountable, efficient manner and to assist government to develop a globally recognized, sustainably managed forest industry. Investment dollars have been directed to activities on public land — enhanced forestry, watershed restoration and resource inventories — and marketing and research that supports sustainable forest management and increased allowable annual cuts. Specific amounts have been dedicated to program elements at the provincial level, other amounts have been allocated for disbursement to tree farm license holders and certain types of tenure holders in each timber supply area.

Forest Investment Account Goals

Goal 1: Actively foster sustainable forest management

Goal 2: Improve the public forest asset base

Goal 3: Promote greater returns from the utilization of public timber

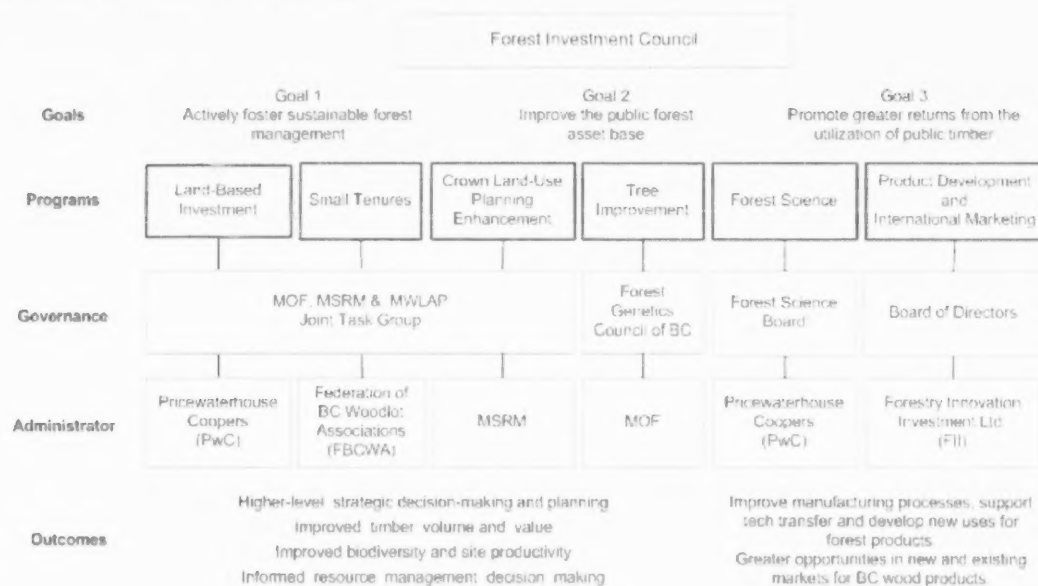
Forest Investment Account Organizational Overview

The Forest Investment Account comprises the following programs:

- Land-based Investment Program (LBIP)
- Small Tenures Program
- Crown Land Use Planning Enhancement (CLUPE) Program
- Tree Improvement Program
- Forest Science Program
- Product Development, and International Marketing Programs

The Minister of Forests has decision-making authority for FIA and the Deputy Minister of Forests (MOF) chairs a Forest Investment Council that periodically reviews and makes recommendations on all FIA programs. The Council includes the Deputy Ministers of the Ministry of Sustainable Resource Management (MSRM) and the Ministry of Water, Land and Air Protection (MWLAP), three licensee representatives, and one representative from the forest research and technology sector. The Council receives progress reports from program administrators and is responsible for determining whether guidance or restrictions are necessary to ensure that investment choices provide the greatest contribution to the achievement of FIA goals. FIA programs are administered by government or by third parties acting on behalf of government (see Figure 1).

Figure 1: Forest Investment Account Overview



Administration of most FIA activities is provided by private-sector firms rather than by government staff. PricewaterhouseCoopers (PwC) provides day-to-day administration for the LBIP and the Forest Science Program, and Forest Innovation Investment Ltd. (FII) does the same for the Product Development, and International Marketing Programs. The Federation of B.C. Woodlot Associations (FBCWA) administers the Small Tenures Program.

PwC, FII and the FBCWA ensure that proposed activities meet eligibility criteria for FIA funding and constitute an optimum mix of expenditures to promote program objectives and strategies. They also provide funds to successful proponents, track project delivery, and are responsible for performance and financial auditing.

FII was incorporated on March 31, 2003 under the *Company Act* of British Columbia. The Province of British Columbia, as represented by the Minister of Forests, is the sole shareholder of the company. The company is managed through a Board of Directors made up of the Deputy Ministers of Forests, Finance, and Small Business and Economic Development, as well as the FII President and Chief Executive Officer. The programs administered by FII operate within the goals and objectives developed as part of the FII Service Plan. The Annual Service Plan Report prepared by FII summarizes key accomplishments and progress towards meeting performance targets for these programs and is available at <http://www.gov.bc.ca/cas/popt> * or <http://www.bcfii.ca/> *.

Highlights and key accomplishments are reported in this Appendix for the LBIP, the Small Tenures Program, CLUPE, the Tree Improvement Program and the Forest Science Program.

* Refer to note on page 3.

Forest Investment Account Budgets and Actuals

Forest Investment Account			
	Budget	Actual	Variance
2004-05 Program Investments (\$000)			
Land-based Investment Program	48,457	47,082	1,375
Small Tenures Program	875	799	76
Crown Land Use Planning Enhancement Program	2,545	2,531	14
Tree Improvement Program	4,291	4,273	18
Forest Science Program	10,082	9,750	332
International Marketing and Product Development	18,750	15,089	*3,661
Total Program Expenditures	85,000	79,524	5,476
2003-04 Full-time Equivalents (FTEs)			
Total	4	4	0

* Variance reflects prepaid capital expense of \$3.094 million related to the Dream Home China project (see FII 2004-05 Annual Service Plan on the FII website).

2004/05 Program Highlights and Key Accomplishments

Land-based Investment Program

The Land-based Investment Program (LBIP) provides funding to forest companies to plan and deliver non-obligatory land-based investments that foster sustainable forest management and improve the public forest asset base in British Columbia. The Ministries of Forests, Sustainable Resource Management, and Water, Land and Air Protection establish resource objectives, maintain a roster of eligible activities and provincial standards, and manage deliverables generated through LBIP projects.

Investments in the LBIP contribute to the FIA goal of actively fostering sustainable forest management and improving the public forest asset base through the following strategies:

- acquiring and providing access to science based information about forest resources;
- improving the modelling of forest dynamics;
- monitoring changes to forest resources;
- supporting the creation of sustainable forest management plans;
- increasing timber volume and value; and
- restoring and enhancing site productivity, recreation infrastructure, and damaged ecosystems.

For 2004/05, a portion of LBIP funding was targeted for activities administered by the Ministry of Forests. These activities included bark beetle control in protected areas and parks, invasive plant treatments and invasive plant biocontrol development, gypsy moth spraying, wildfire reforestation, and fire hazard abatement.

Land-based Investment Program			
	Budget	Actual	Variance
2004-05 Program Investments (\$000)			
LBIP Component Areas			
Information Gathering and Management	N/A	13,435	N/A
Stand Establishment and Treatment	N/A	9,474	N/A
Restoration and Rehabilitation	N/A	2,641	N/A
Strategic Resource Planning	N/A	2,503	N/A
Infrastructure	N/A	519	N/A
Gene Resource Management	N/A	149	N/A
Training and Extension	N/A	124	N/A
LBIP Component Areas Total	29,517	28,845	672
PwC Administration and Audit	2,504	2,154	350
Standards, Data Management & Technical Support	8,952	8,493	459
Bark Beetle	1,729	2,140	(411)
Invasive Plants	1,164	1,149	15
Gypsy Moth	371	358	13
Wildfire Reforestation	1,360	1,031	329
Fire Hazard Abatement	2,000	2,000	0
Recreation	860	912	(52)
Total Program Expenditures	48,457	47,082	1,375

Key Accomplishments

Acquiring and providing access to science based information about forest resources

- Acquired updated and new resource information for a combined total of 73.4 million hectares towards improved land use planning and decision-making. This includes an increase in the amount of provincial Crown land area where information relating to terrain stability, terrestrial ecosystem mapping, vegetation resource inventory, predictive ecosystem mapping, archaeology, biodiversity, wildlife, and recreation has been enhanced.
- Completed timber supply review data package and six timber supply analysis reports in support of determining allowable annual cuts for Timber Supply Areas.

- Prepared data package and completed timber supply analysis and socio-economic assessment for Lillooet TSA.
- Prepared strategy for inventory activities in areas affected by the mountain pine beetle and completed draft report on Forest Inventory and Monitoring Strategy for the Mountain Pine Beetle Areas.

Improving the modeling of forest dynamics

- Re-measured or established 276 growth and yield plots. This information contributes towards estimating future volume and quality of timber yields from our forests, updates forest inventories, provides input for forest management planning, evaluates enhanced stand management opportunities, and assesses the impacts of pests and fire on timber yield.

Monitoring changes to forest resources

- Monitored 82 sites for long-term studies relating to aquatic and terrestrial values, including water quality, deer, northern goshawks, marbled murrelets and other indicators.

Supporting the creation of sustainable forest management plans

- Continued progress on 23 landscape unit plans. Approximately 40 projects related to the development of key indicators and public advisory groups / consultation, including the update or creation of sustainable forest management plans based on this information. This work contributed towards providing the foundation for achieving sustainable forest management by setting goals, indicators and targets for defined forest areas.

Increasing timber volume and value

- Carried out 4,757 hectares of treatments and surveyed 12,235 hectares. Activities funded include improved incremental silviculture treatments and reforestation of backlog areas (areas denuded prior to October 1, 1987). The investment in these treatments contributes to making stands available for harvest sooner, increasing merchantable volume production and growing higher quality second growth stands.
- Completed 5.4 million hectares of aerial surveys, 29,000 hectares of ground surveys and 17,000 single tree treatments for bark beetle management in suppression beetle management units.
- For areas impacted by *Dothistroma* needle blight, completed 15,892 hectares of aerial surveys and 4,686 hectares of ground surveys, for the purpose of strategic implementation of stand tending treatments. Reforested 985 hectares in the Kispiox/Kalum/Cranberry Timber Supply Areas and purchased seedlings to reforest approximately 270 hectares in 2005/06.

Restoring, and enhancing site productivity, recreation infrastructure, and damaged ecosystems

- 125 forest recreation sites and 191 kilometres of forest recreation trails were maintained or established to provide user safety, provide sanitary conditions, protect the environment, provide user access and convenience, and protect investment in infrastructure.

- Permanent road deactivation, landslide and gully rehabilitation and assessments were carried out on 2,928 km of non-status forest roads, thereby reducing the risk of environmental, social and economic damage to resources within and adjacent to the road location from landslides and other environmental hazards.
- 20 sites were assessed, prescribed and works completed on instream structures. Additionally, 14 sites were reviewed for fish passage concerns and structures removed/replaced as necessary to re-establish upstream habitat access for salmon and other local fish species.

Small Tenures Program

Funding under the Small Tenures Program is available for eligible non-obligatory land-base activities on Crown land under woodlot licence tenure and community forest pilot agreement tenure. The Small Tenures Program provides funding to eligible licensees for activities similar to the LBIP (i.e., enhanced forestry, environmental preservation and restoration, and resource information).

Investments in the Small Tenure Program contribute to the FIA goal of actively fostering sustainable forest management and improving the public forest asset base through the following strategies:

- acquiring and providing access to science based information about forest resources;
- ensuring that forests have sustained value production; and
- restoring and enhancing site productivity, recreation features and damaged ecosystems.

Small Tenures Program			
	Budget	Actual	Variance
2004-05 Program Investments (\$000)			
Information Gathering and Management	N/A	251	N/A
Stand Establishment and Treatment	N/A	312	N/A
Training and Extension	N/A	72	N/A
Infrastructure	N/A	74	N/A
Restoration and Rehabilitation	N/A	35	N/A
Sub-Total	818	744	74
Program Administration and audits (FBCWA)	57	55	2
Total Program Expenditures	875	799	76

Key Accomplishments

Acquiring and providing access to science based information about forest resources

- A combined total of 40,259 hectares of newly acquired resource information on small tenures that includes increase in amount of provincial Crown land area where information relating to terrestrial ecosystem, vegetation resource inventory and archaeology has been enhanced.
- 16 woodlot workshops for approximately 350 participants focused on the Woodlot License Plan Template and due diligence under the *Forest and Range Practices Act* and an overview of the ministry's Electronic Forest Management Initiative.

Increasing timber volume and value

- Over 149 hectares of forest stands treated (i.e. pruned, juvenile spaced, or fertilized). These investments contribute to growing higher quality second growth stands on Crown lands.
- 21,164 trees purchased for planting in the spring/summer of 2005 on Crown areas harvested prior to October 1, 1987.

Restoring and enhancing site productivity, recreation infrastructure, and damaged ecosystems.

- Repair and maintenance of 35 forest recreation sites to provide user safety; provide sanitary conditions; protect the environment; provide user access and convenience; and protect investment in Crown infrastructure.

Crown Land Use Planning Enhancement

The Crown Land Use Planning Enhancement (CLUPE) Program has been established to augment the province's strategic land use planning program. Investments in CLUPE contribute to the FIA goal of actively fostering sustainable forest management by supporting the creation of strategic land use plans.

Strategic land use plans are completed for areas across the province to resolve land use conflicts, identify management priorities and establish resource objectives for specified areas of Crown land. These resource objectives guide land use and resource management and help to identify economic opportunities within the plan area. CLUPE funds are used for:

- *Capacity building:* Build land/resource planning capacity in the communities where planning is happening, and develop local-level support for planning outcomes.
- *Resource objectives:* Specify government's objectives for Crown forest land and resources.
- *Resource analysis:* Ensure that forest land use planning decisions are based on sound analysis and information.
- *Implementation, monitoring and evaluation:* Ensure that strategic land use plans achieve their intended social, economic and environmental objectives.

Crown Land-Use Planning Enhancement Program			
	Budget	Actual	Variance
2004-05 Program Investments (\$000)			
Developing Resource Objectives	1,841	1,822	19
Implementation, monitoring and evaluation	704	708	(5)
Total Program Expenditures	2,545	2,531	14

Key Accomplishments

Resource Objectives

- Draft Old Growth Management Areas established for the Merritt, Kamloops, and Okanagan Timber Supply Areas and Old Growth Management Area and biodiversity objectives developed and legally established for Prince George Timber Supply Areas.
- Sea-to-Sky Land Resource Management Plan recommendations provided to government by the Planning Forum. Approval-in-principle and mandate for government-to-government consultations with First Nations given by Cabinet.
- Nine Sustainable Resource Management Plans initiated and 14 Sustainable Resource Management Plans completed.
- Legal objectives initiated for ungulate winter ranges in accordance with the Cariboo Chilcotin Land User Plan.

Implementation, monitoring and evaluation

- Monitoring committee established in Prince George to determine the effectiveness of legally established biodiversity objectives.
- Land use plan "matrix" developed in Southern Interior Forest Region to assist the Forest Service in implementation of forest stewardship plans.
- Review of existing land use plans initiated in Southern Interior Forest Region to determine how best to address gaps for full implementation of the *Forest and Range Practices Act*.

Tree Improvement Program

The Tree Improvement Program is an operational investment plan for management of the genetic resources of the Province to meet the FIA goal to improve the public forest asset base and the Ministry of Forests goal of Sustainable Forest Resources. The program focuses on improving the public forest asset base by supporting the development and availability of genetically well-adapted, high quality reforestation material from natural sources and through the conservation of our forest gene resources. The Forest Genetics Council (FGC) of British Columbia, appointed by the B.C. Chief Forester, guides tree improvement activities in the province.

Based on its goals and objectives, the FGC has defined a provincial forest gene resource management program with the following components:

- *Gene Conservation*: activities monitor the gene pool needed for species to adapt to future environmental conditions, and provide technical recommendations on how to maintain the genetic resource for future generations;
- *Tree Breeding*: activities include selecting parents in wild stands, testing offspring, establishing/maintaining/measuring trials, and delivering technical support;
- *Operational Tree Improvement Program*: focuses on increasing the quality and quantity of select seed produced from existing forest company and Ministry of Forests seed orchards;
- *Expansion of Orchard Seed Supply*: the Ministry of Forests supports seed orchard expansions and the cooperative production of vegetative materials through SelectSeed Company Ltd., a company under the control of the Forest Genetics Council of B.C.;
- *Extension and Communication subprogram*: meets Forest Genetics Council goals and objectives related to extension, communication, and education activities;
- *Gene Resource Information Management*: supports the development of computer-based systems that improve user access to information on select reforestation materials;
- *Seed Pest Management*: supports research to ensure protection of conifer seed orchards and to develop better method of management for cone and seed pests;
- *Program Planning*: supports development of business plans, species plans, and annual activity plans.

Tree Improvement Program			
	Budget	Actual	Variance
2004-05 Program Investments (\$000)			
Gene Conservation	220,000	220,000	0
Tree Breeding	2,124,000	2,171,000	(47,000)
Operational Tree Improvement	697,000	666,000	31,000
Expansion of Orchard Seed Supply	871,000	871,000	0
Extension and Communication	126,000	121,000	5,000
Gene Resource Information Management	70,000	49,000	21,000
Seed Pest Management	150,000	142,000	8,000
Program Planning	33,000	33,000	0
Total Program Expenditures	4,291,000	4,273,000	18,000

Key Accomplishments:

- Completed detailed maps for and defined gene conservation status of all 49 Tree Species.
- Completed establishment of the 14 new seed orchards required to meet the provincial target of 75 per cent of all reforestation seed needs.
- Increased provincial use of high-quality selected seed sources to 50 per cent of total provincial sowing, with an average volume gain of 11 per cent.

- Developed and implemented new Chief Forester Standards for Seed Use to support the use and monitoring of genetic resources on Crown land.
- Produced a total of 504 kg of high-quality seed from provincial seed orchards sufficient for approximately 37 million seedlings as a result of all co-operator activities, including FIA support.

Forest Science Program

The Forest Science Program vision is to be a world leader in providing credible and relevant scientific knowledge to support sustainable forest management policies and practices. The program supports the FIA goals of improving the public forest asset base and promoting greater returns from the utilization of public timber. This is accomplished by focusing on applied research in the areas of sustainable forest management, improving timber growth and value, and achieving more effective use of forest science results through extension.

The Forest Science Program strategic goals are as follows:

- Improve knowledge-based science in support of sustainability.
- Improve knowledge-based science in support of improving timber growth and value.
- Guide development of a provincial forest extension program.
- Develop efficient and effective process for determining annual research and extension priorities.
- Encourage sufficient stable funding to meet the needs of the Forest Science Program.

Forest Science Program			
	Budget	Actual	Variance
2004-05 Program Investments (\$000)			
Sustainability Research	4,259	4,167	92
Timber Growth and Value Research	3,306	3,202	104
Extension	1,275	1,325	(50)
Forest Science Board	200	198	2
Research Partnerships	225	225	0
Program Administration and Audits	817	633	184
Total Program Expenditures	10,082	9,750	332

Key Accomplishments

Improve knowledge-based science in support of sustainability

- Fifty-eight projects were funded to improve knowledge-based science in support of sustainability in 2004/05. Funded projects will help achieve sustainable ecosystems and biodiversity by contributing to the creation of sustainability indicators for resource objectives, assist in the creation of targets for various biodiversity features, and addressing disturbance ecology and ecosystem structure, function and processes.

- Projects also investigate using ecosystem knowledge to manage forests. This improves our ability to maintain desired ecosystem characteristics and understand ecosystem responses to forest practices. Work was also done to study the effects of climate change on forest ecosystems, and species.
- Providing scientific support to respond to new policy initiatives was also an area of work in 2004/05. Funded projects provided information in support of the federal *Species at Risk Act* and related provincial legislation. Projects such as habitat use by Marbled Murrelets on southwest Vancouver Island and implications for forest management provided critical information for the development of provincial wildlife standards.
- Another area of work in support of sustainability was in developing knowledge and decision tools for integrated resource management. Funded projects examined silvicultural systems to improve production of forest resources, studied the effects of forest practices on watershed processes, developed analytical and decision-making models for resource management, examined wildlife habitat needs and investigated factors affecting terrain stability and its response to management.

Improve knowledge-based science in support of improving timber growth and value

- Fifty-one projects were funded in 2004/05 to improve knowledge-based science in support of improving timber growth and value. Projects in the area of improving timber growth provided information to improve management of complex forests, addressed risks from forest health problems and wildfires, and provided further work on analytical tools to assess productivity of planted and natural forests.
- Improving estimates of timber yields and timber supply implications of forest management practices was also a key area of research. Projects funded in 2004/05 contributed to timber supply models and Annual Allowable Cut determination processes, greater understanding of the effects of management practices on forest dynamics, and continued development of growth and yield models and predictions.

Guide development of a provincial forest extension program

- FORREX, the provincial forestry extension provider, focused extension in five areas based on priority management issues: ecosystems and biodiversity conservation; forest dynamics and integrated resource management; socio-economic; information and knowledge systems, and watershed management. Extension activities and products included workshops, conferences, publications, presentations, websites, field tours and forums.

Develop efficient and effective process for determining annual research and extension priorities

- Program Advisory Committees were established, drawing from government, industry, consultants and other institutes and organizations inside and outside of government and priority documents were developed for sustainability and timber growth and value Program Advisory Committees that were used in the 2005/06 call for proposals.

Encourage sufficient stable funding to meet the needs of the Forest Science Program

- The Forest Science Board initiated a process for funding long-term research to ensure more stable funding at the project level and a process for funding infrastructure costs associated with long-term installations to protect the infrastructure integrity of key installations in B.C.
- The Forest Science Board also produced the Forest Science Program Strategic Plan 2004 – 2008 and communications materials to increase awareness for the program.
- The Forest Science Program provided funding to the Canadian Forest Innovation Council and the Sustainable Forest Management network to link with research partners both at the provincial and national level.

Appendix 3: Glossary

Allowable Annual Cut (AAC): The rate of timber harvest permitted each year from a specified area of land, usually expressed as cubic metres of wood per year.

Animal Unit Months (AUMs): The unit by which forage or grazing capability of Crown range land is measured. It is 450 kg of forage, which the amount of forage required for one month by an average cow, aged 6 months or older.

Certification: The process of identifying forest products as those produced by organizations whose forest practices or management systems meet a set of defined voluntary certification standards, based upon independent assessments. Certification is intended to assure companies and consumers around the world that the forest products they purchase come from well-managed forests.

Community Use Forest Service Roads: These roads are used primarily by non-industrial users and provide access to communities. These roads are provided with a Community Access Level of Road Maintenance.

Community Access Level of Road Maintenance: The ministry provides access-related surface maintenance activities as appropriate for an effective running surface to meet the vehicle access objective; structural maintenance to protect the integrity of the road prism and clearing width and consistent with the vehicle access objective; and structural maintenance on bridges, major culverts and other engineered structures.

Criteria and Indicators: A criterion is a category of conditions or processes by which sustainable forest management may be assessed. An indicator is a measure of an aspect of the criterion. Those used in Canada are generally based on the Montreal Process initiated in 1994. This was an international meeting where criteria and indicators for the conservation and sustainable management of temperate and boreal forests were developed and agreed to internationally.

Defined Forest Area Management: Changing the volume-based forest management regime prevalent throughout much of the province, to defined forest areas, managed with key attributes of area-based tenures (e.g., Tree Farm Licences).

Discretionary Silviculture Activities: Silviculture activities that are not required by legislation. These may include backlog reforestation, reforestation activities on some areas burned by wildfire, and brushing, spacing, fertilizing and pruning.

Forest and Range Assets: All the forest and range resources on Crown land, including the water, soil, bio-diversity, timber, forage, wildlife habitat, recreation, and scenic resources.

Forest Encroachment: Refers to the intrusion or establishment of a significant number of trees on grassland(s).

Forest Ingrowth: Refers to the process whereby previously open forest becomes more dense, and treed grasslands become more densely covered with young trees.

Forest Stand Management Fund: This account was originally established as a fund by the *Forest Stand Management Fund Act, 1986*, and was changed to a Special Account under the *Special Accounts Appropriation and Control Act* in 1988. Revenue is provided by contributions from municipalities, the forest industry, forest sector unions, and others through money collected in accordance with applicable legislation; penalties levied in accordance with applicable legislation; and from stumpage levies. Expenses provide for enhanced management of British Columbia's forest and rangelands, for silviculture work and costs related to environmental remediation performed in accordance with applicable legislation, for the costs of investigating contravention of applicable legislation, for fire suppression costs related to contraventions of applicable legislation where a penalty has been levied in respect of the contravention, and for reforestation and road deactivation in areas subject to stumpage levies. No financing transactions are provided for under this account.

Key Outcome Indicators: Key outcome indicators, represent key results related to an organization's goals, but that are often not directly attributable to their business activities. Logic models are used to link outcomes to business activities. Because they measure societal, land base or stakeholder results or changes in conditions or behaviours, the accountability for these key outcomes and indicators cannot be solely attributed to the Ministry of Forests.

Provincial Forest Land-base: Crown land designated by the *Forest Act* (Section 5) as under the direct jurisdiction of the Ministry of Forests. This is generally equivalent to the Crown land area in TFLs, Woodlot Licences, and TSAs (excluding vacant Crown land).

Provincial Forest Resources: means the resource elements of water, soil, air, and biodiversity (genetic, species and ecosystem) and the resource values associated with provincial forests including, without limitation, timber, forage, wildlife, fish, botanical forest products, cultural heritage resources, visual quality, resource features, and recreation resources.

Sustainable Forest Management (SFM): SFM, as defined by the Canadian Council of Forest Ministers is: "To maintain and enhance the long-term health of our forest ecosystems, for the benefit of all living things both nationally and globally, while providing for environmental, economic, social and cultural opportunities for the benefit of present and future generations."

Tenures Offered to First Nations: measures the number of invitations made under the *Forest Act*, which was amended in 2002 to allow the Minister of Forests to invite, without competition, applications from First Nations for a forest tenure.

Timber Supply Area (TSA): Land designated under the *Forest Act* that is managed for sustainable timber harvest, as determined by an allowable annual cut. There are currently 37 TSAs in British Columbia.

Wilderness Forest Road Maintenance: focus is on protection of the environment. Access is not guaranteed and may be lost over time. The ministry provides nominal surface maintenance for water management/soil erosion and sediment control; carries out nominal repairs of road surface and structures for motor vehicle or equipment access; and carries out structural maintenance to stabilize the road prism consistent with vehicle access objectives.

